

Information on the dynamics of consumer prices and tariffs and factors of changes therein

2019 Q4

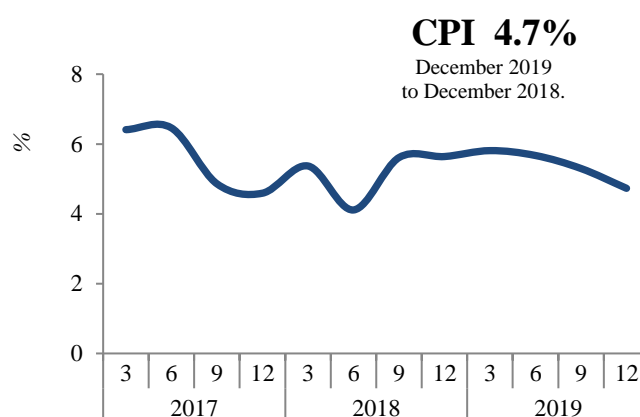
In 2019 Q4, the annual inflation continued to slow down. Consumer prices grew in December 2019 by 4.7 percent in annual terms, with the target being no more than 5 percent.

The deceleration of annual dynamics in the reporting quarter is characteristic of all segments of the consumer market. At the same time, regulated prices and tariffs, as well as the prices for fruits and vegetables, were growing at the rates exceeding CPI. A more moderate increase in consumer prices versus the target was due to slowing down of the core inflation.

On the background of the moderate dynamics of inflationary processes, a decline in the inflationary expectations of households was observed.

Economic activity was still neutral versus inflationary processes.

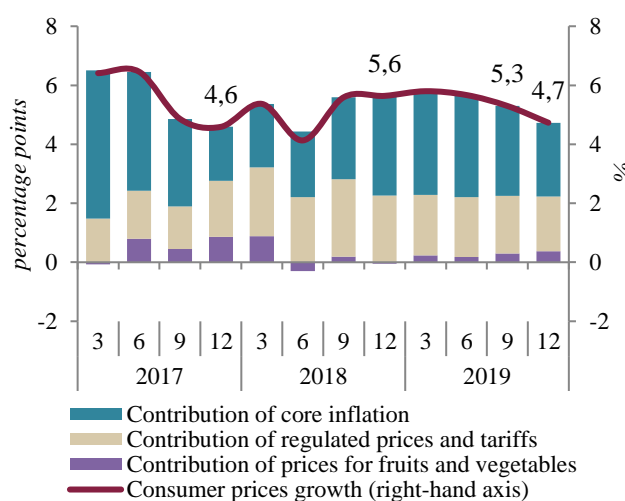
Monetary conditions reflecting the aggregate influence of interest rates and the exchange rate on the economy made, on the whole, a disinflationary impact.



1. Consumer price index dynamics

In 2019 Q4, further decline of the inflationary processes intensity in the consumer market was observed.

The dynamics of free prices in Q4 was formed under the conditions of restrictive impact of the monetary policy, slowing down of inflation in the countries being trade partners, primarily, in the Russian Federation, moderate consumption activity, as well as normalization of situation in the agricultural products market. The annual core inflation dropped over the quarter by 0.8 percentage point and totaled 3.5% in December 2019. At that, the trend inflation slowed down in annual terms from 4.2% in September 2019 to 3.6% in December.



Source: the National Bank's calculations based on the National Statistical Committee's data

The average intensity of prices growth dropped up to 3.7% (4% in September 2019).

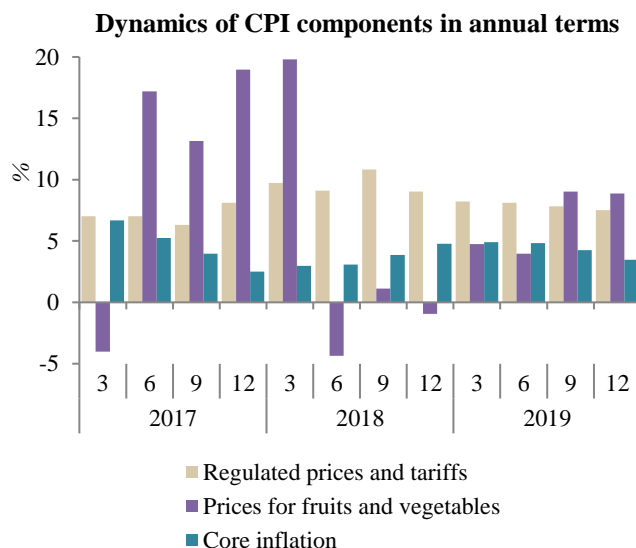
The annual rates of growth in regulated prices and tariffs over the fourth quarter reduced by 0.3 percentage points and accounted for 7.5 percent in December 2019. This was due to a more restrained increase in retail prices for fuel in 2019 versus the previous year under the conditions of formation of lower average global prices for oil.

The change in the prices for housing and utilities services, prices for fuel and tariffs for communication services contributed to the increase in the regulated prices and tariffs in 2019 to the utmost.

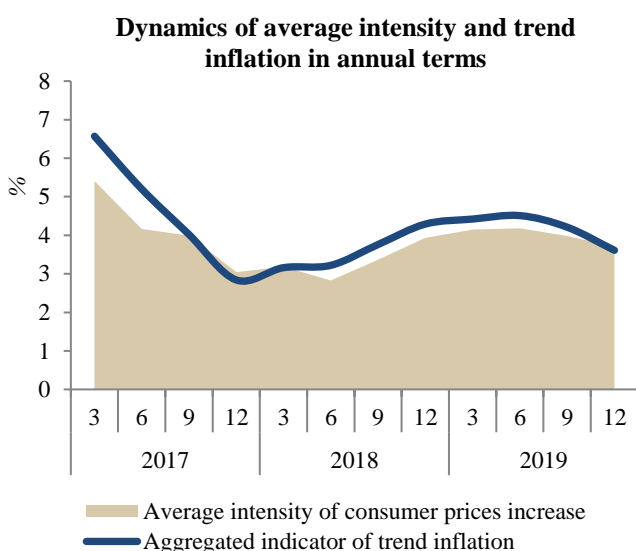
The dynamics of prices for fruits and vegetables in 2019 Q4 remained, on the whole, at the level of the previous year. The annual increase in prices for this category of foods totaled 8.9% in December 2019 (9% in September 2019). The high growth rates of prices in this group were facilitated by a more intensive rise in prices for fruits, the annual increase in prices for which over the quarter was preserved at the level of about 20 percent. At that, the prices for vegetables went down over the year.

Under the conditions of general slowdown of the inflationary processes in 2019 Q4 the dynamics of consumer prices became more homogeneous. Thus, the share of goods and services, the prices and tariffs for which went up by less than 5 percent in annual terms, grew up in December 2019 to 71% (66% in September 2019), being the best result in 2019.

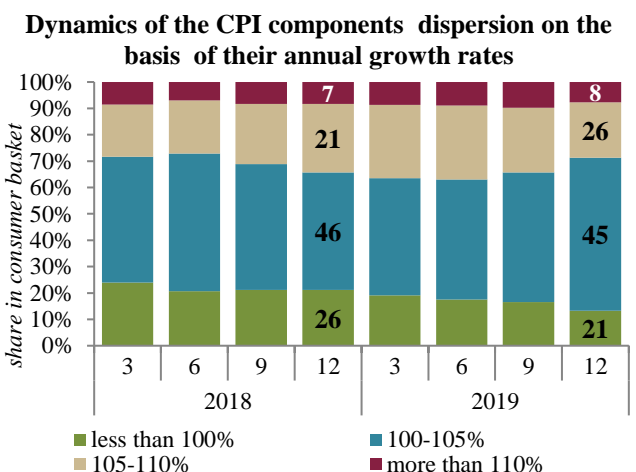
On the background of a slowdown in inflationary processes, the inflationary expectations of households improved to a small degree. According to the latest survey (November 2019) the estimate of the expected increase in prices in the next 12 months was 11.9 percent, a 1.2 percentage points decline compared with the previous estimate. The



Source: the National Bank's calculations based on the National Statistical Committee's data



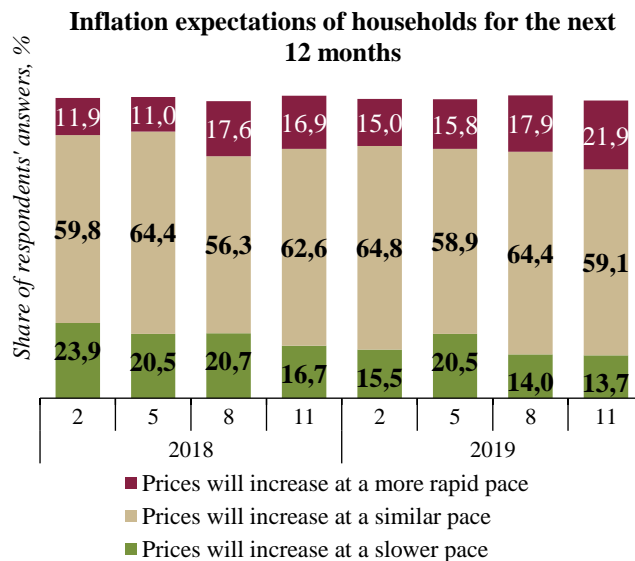
Source: the National Bank's calculations based on the National Statistical Committee's data



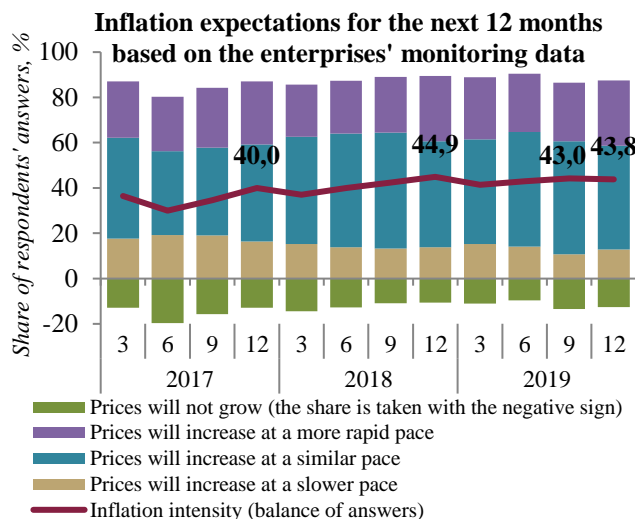
Source: the National Bank's calculations based on the National Statistical Committee's data

inflation experienced by the respondents over the past 12 months amounted to 11.4 percent, having dropped by 1.4 percentage points compared with the August 2019 estimate.

The inflationary expectations of enterprises were still stable. The intensity of inflation (the balance of responses) dropped to a small degree versus the previous quarter.



Source: the National Bank

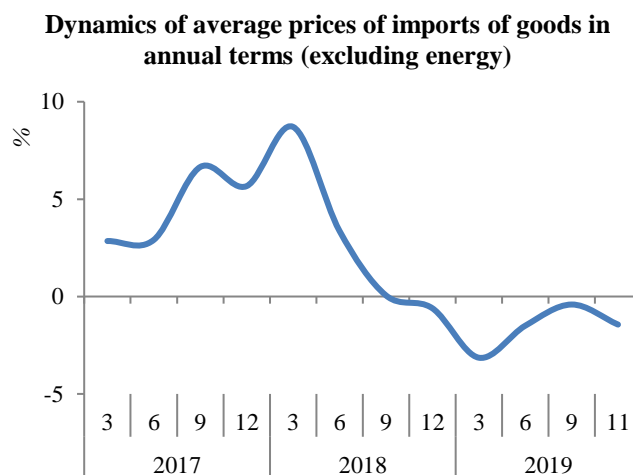


Source: the National Bank

2. Dynamics of other price indicators

In 2019 Q4, a decline in the prices of import led to restraining of inflation in the domestic market. There was no inflationary impact on the consumer market from the industrial sphere. At the same time, the accelerated growth of the prices of producers of certain types of agricultural products made a pressure on the prices of corresponding positions of the consumer market.

In November 2019, the average import prices (excluding energy) dropped in annual terms by 1.4 percent. At the same time, their restrictive impact on the domestic inflation



Source: National Statistical Committee

processes was partially compensated by devaluation of the Belarusian ruble versus the currencies of main trading partners in the reporting quarter.

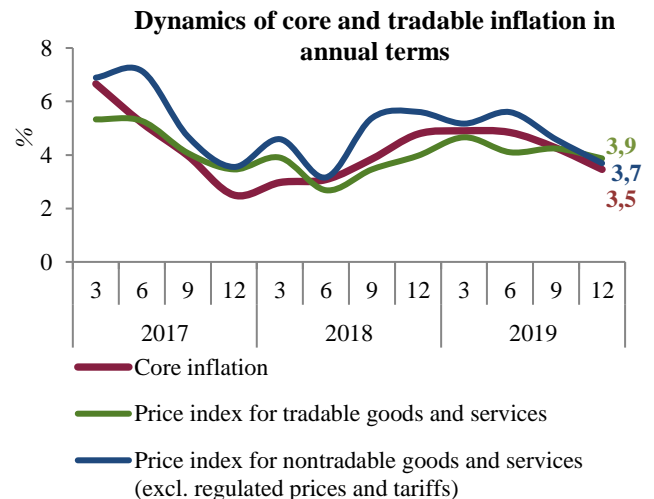
In Q4, the dynamics of prices for traded goods slowed down in annual terms: annual increase in December 2019 totaled 3.9 percent compared with 4.2 percent in September 2019. At that, the annual growth rates of prices for non-tradable goods, with the exception of regulated positions, dropped to 3.7 percent in December 2019.

The deceleration in industrial producer prices continued in the reported quarter. In December 2019, their annual growth rate decreased by 1.4 percentage points versus September and amounted to 4.4 percent, being lower than overall growth in consumer prices.

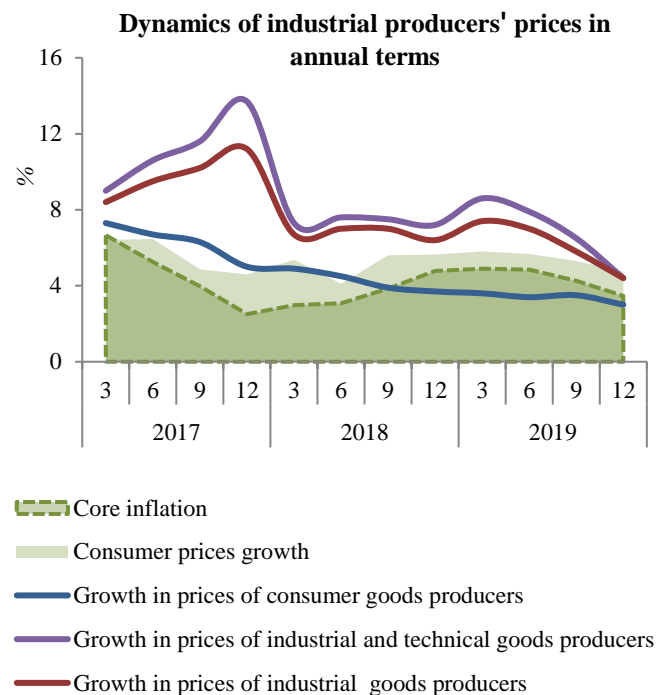
The growth of prices for technical and industrial products slowed down to a greater extent in annual terms - from 6.5 percent in September to 4.4 percent in December 2019. The annual increase in prices for manufactured consumer goods dropped to 3 percent in December 2019 (3.5 percent in September 2019).

On the background of higher volumes of crop production in 2019 versus the previous year, in Q4 the growth of the prices of agricultural producers slowed down. The annual increase in prices for crop production dropped to 14.1% in December 2019 (20.8 percent in September 2019).

At the same time, the growth rates of prices for livestock products remained at the level of the previous quarter – 6.3% in December 2019 compared with 6.2 percent in September. The prices for cow’s raw milk were increasing at the highest rates: over the year the producers’ prices went up by 13.1 percent. This trend was reflected in the dynamics of consumer market as well – the



Source: the National Bank's calculations based on the National Statistical Committee's data

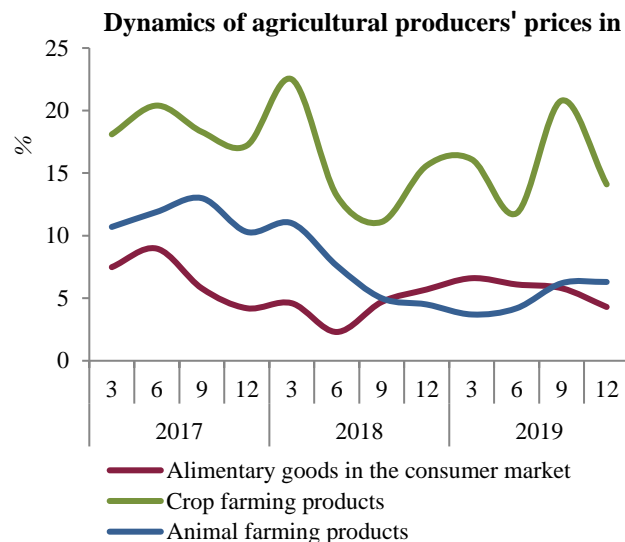


Source: National Statistical Committee, the National Bank's calculations

annual increase in consumer prices for milk and milk products totaled 7.9% in December 2019.

The accelerated growth of prices for this category of foods was observed in the consumer market of the Russian Federation as well, where over 2019 the increase in the prices for milk and milk products totaled 6.1, with the overall growth of consumer prices amounting to 3%.

According to the FAO’s data, the global prices for milk products also grew up in December 2019 and contributed to a great extent to the increase in the index of prices for foods. A high growth rate of prices for milk products in foreign markets led to maintenance of intensive growth of prices for this products in the domestic market.



Source: National Statistical Committee, the National Bank's calculations based on the National Statistical Committee's data

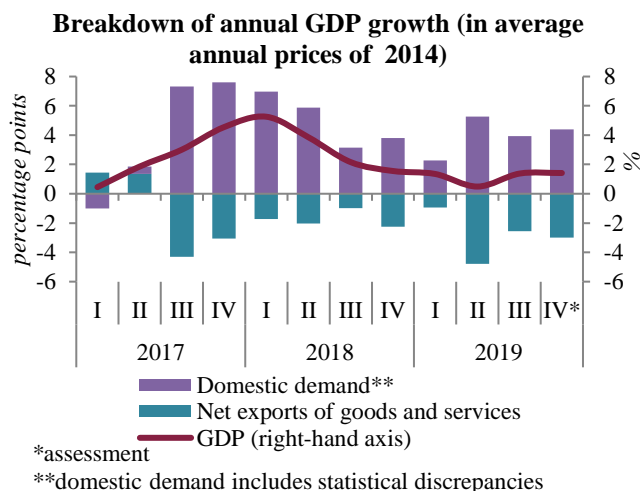
3. Supply and demand

In 2019 Q4, the economic growth rates remained at the level of the previous year. The economic activity, on the whole, was neutral with respect to inflation.

According to the National Bank’s estimations, the real GDP grew up in 2019 Q by 1.4 percent versus the corresponding quarter of the previous year. The level of economic growth was still maintained at the expense of domestic demand.

At that, for the first time since 2017 Q3, the domestic demand was to a greater extent caused by the increase in gross accumulation than by consumer activities.

Slowing down of annual growth rates of real wages and consumer lending led to further weakening of consumer activity. In 2019 Q4, growth in real wages slowed down to 6%, in consumer lending – to 21.8% (in 2019 Q3 – 8% and 36.8%, respectively). At that, the growth in



Source: the National Bank's calculations based on the National Statistical Committee's data

real retail goods turnover decreased in annual terms to 2.4% over 2019 Q4 compared with 3.7% in 2019 Q3.

In the structure of retail turnover the most significant slowdown was observed in the dynamics of trade in the non-foods segment – from 5.1% in 2019 Q3 to 1.6% in 2019 Q4. The dynamics of foods sale, on the contrary, accelerated from 2.3% to 3.3% respectively.

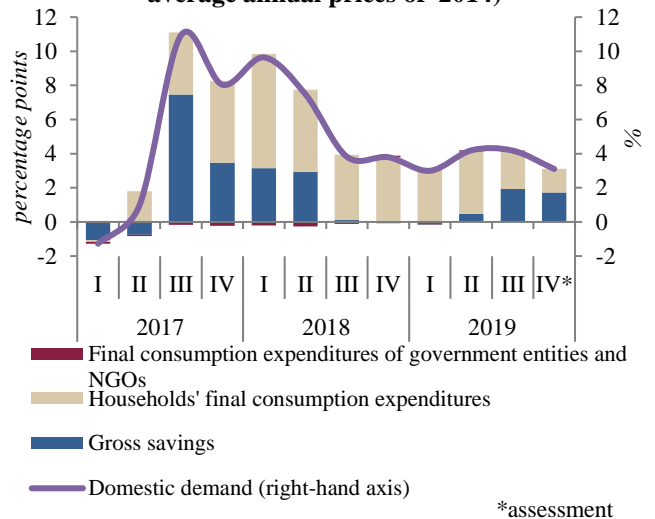
According to preliminary data from the Ministry of Finance, in 2019 Q4, the consolidated budget was executed with a deficit of about 0.8 percent of GDP (in 2019 Q3, the consolidated budget surplus totaled 3 percent of GDP).

Given the seasonal nature of the increase in budget expenditures at the end of the year, the fiscal sector as a whole retained its deterrent effect on domestic demand.

The contribution of budget spending to the growth in domestic demand in 2019 Q4 was formed close to zero. Its reduction is mainly due to a decrease in capital expenditures in 2019 Q4. At the same time, the dynamics of budget expenditures aimed at consumption contributed to the maintenance of domestic demand.

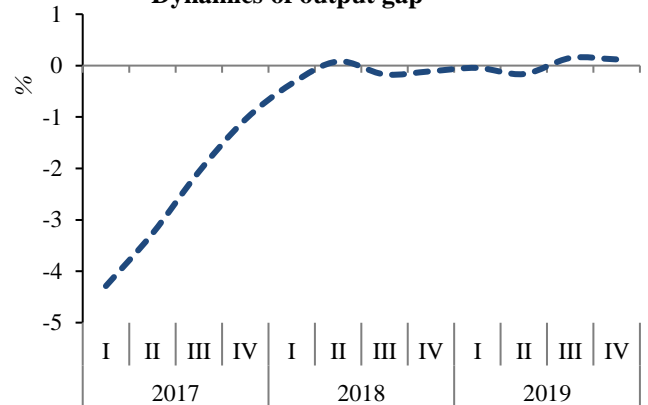
Thus, in 2019 Q4, there was no inflationary pressure on the part of fiscal sector.

Breakdown of annual domestic demand growth (in average annual prices of 2014)



Source: the National Bank's calculations based on the National Statistical Committee's data

Dynamics of output gap



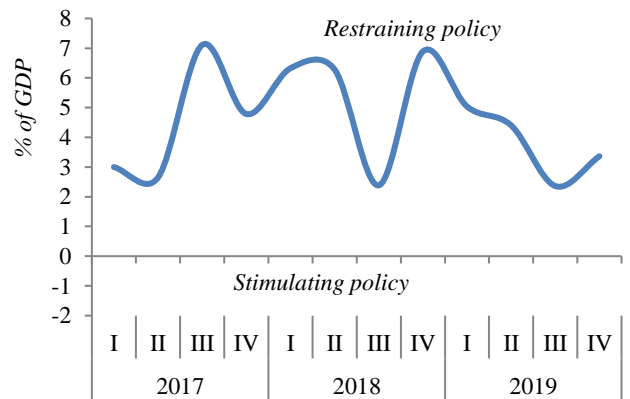
Source: the National Bank's calculations based on the National Statistical Committee's data

Dynamics of real retail turnover and real consumer lending in annual terms



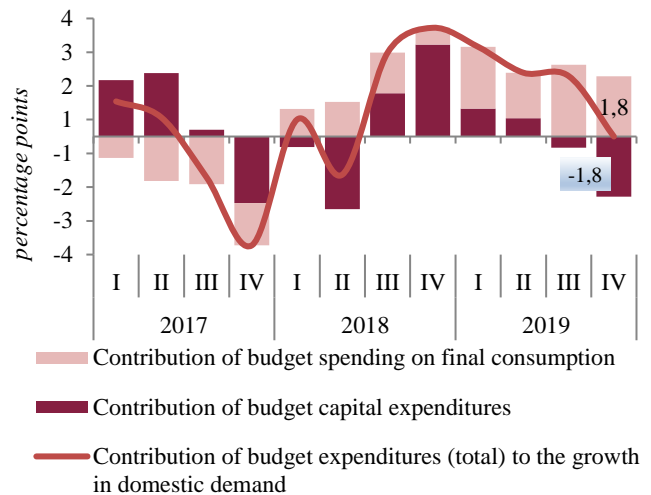
Source: National Statistical Committee, the National Bank's calculations

Cyclically adjusted primary fiscal balance



Source: the National Bank's calculations based on the data from the Ministry of Finance and the National Statistical Committee

Dynamics of contribution of budget expenditures to the growth of domestic demand



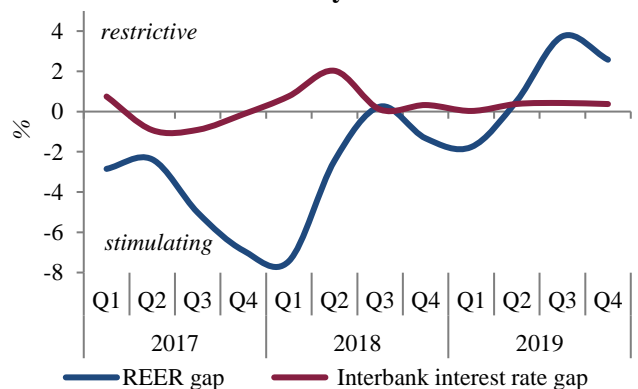
Source: National Bank calculations based on data from the National Statistical Committee, the Ministry of Finance and the Social Protection Fund

4. Monetary conditions and financial market

The dynamics of money supply in 2019 Q4 was in line with the current economic situation. The impact of interest rates on the economy is assessed as a neutral one. The disinflationary effect of the Belarusian ruble overvaluation slightly decreased as a result of its nominal weakening.

In 2019 Q4, the National Bank continued to reduce interest rates on its instruments, given the slowdown in inflationary processes. A narrow and symmetric corridor of the National Bank's interest rates on standing facilities was formed around the refinancing rate.

Monetary conditions



Source: the National Bank's calculations

On November 20, 2019, the refinancing rate was reduced from 9.5 to 9 percent per annum, the rate on standing facilities designed to maintain liquidity – from 10.75 to 10 percent per annum, the rate on standing facilities designed to withdraw liquidity – from 8.25 to 8 percent per annum.

In December 2019, the average rate of the overnight interbank market was near the refinancing rate, amounting to 9.2 percent per annum (9.9 percent per annum in September 2019).

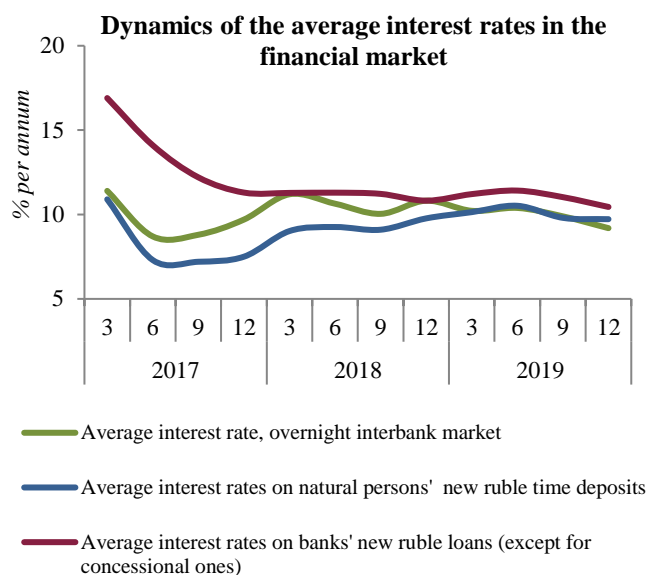
The level of interest rates in the deposit market contributed to the binding of the population’s monetary funds. In December, the growth rate of average term ruble deposits of the households in annual terms accelerated to 27.5 percent compared to 21.2 percent in September.

In December 2019, the average interest rate on natural persons’ new term deposits in national currency amounted to 9.7 percent per annum (in September - 9.8 percent per annum).

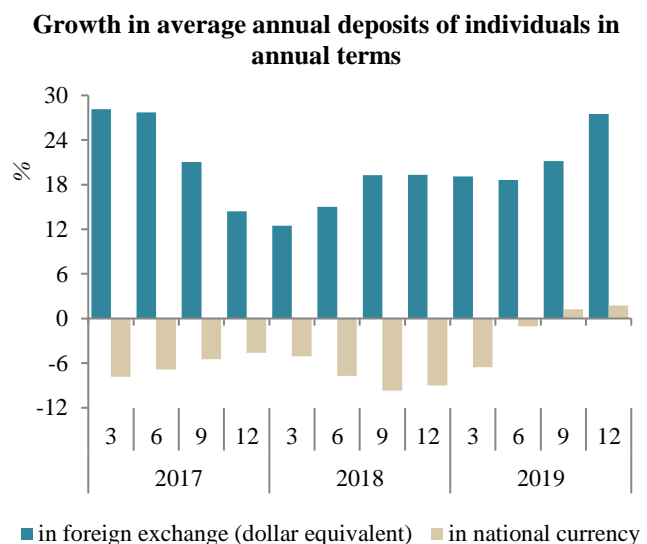
In turn, the gradual decrease in interest rates on credits as a whole contributed to an increase in the availability of credit resources in the national currency. The average interest rate on new banks’ credits in national currency (excluding credits provided on concessional terms) in December 2019 totaled 10.4 percent per annum, decreasing by 0.6 percentage points for the quarter.

In December 2019, the average claims of banks and the Development Bank for the economy grew in annual terms by 9.2 percent. At the same time, lending to the economy in Belarusian rubles continued to outstrip lending in foreign currency: the annual growth in December 2019 accounted for 13.5 and 5.7 percent, respectively.

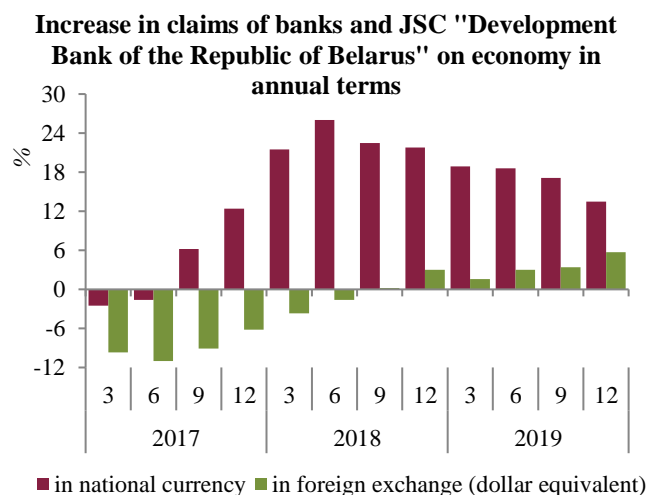
In December 2019, the share of the ruble component in the broad money supply structure increased to 43.8 percent (42.7 percent in September 2019). In annual terms, the growth



Source: the National Bank



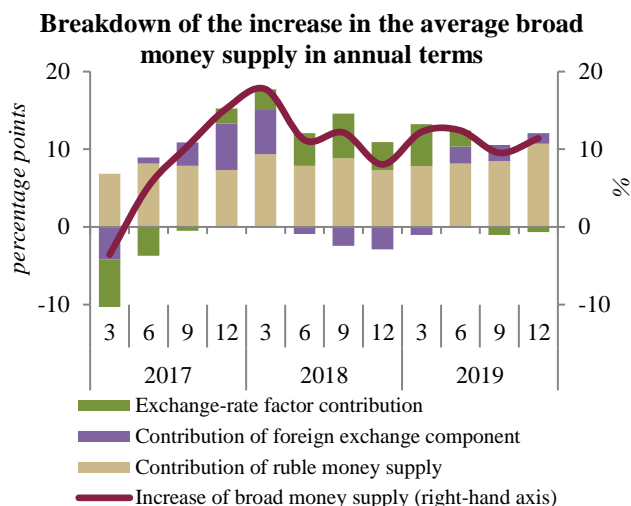
Source: the National Bank's calculations



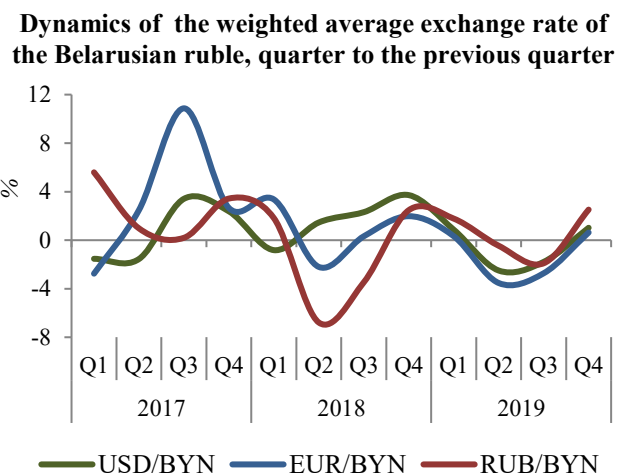
Source: the National Bank

of the average broad money supply in December 2019 was within the forecast interval and amounted to 11.4 percent.

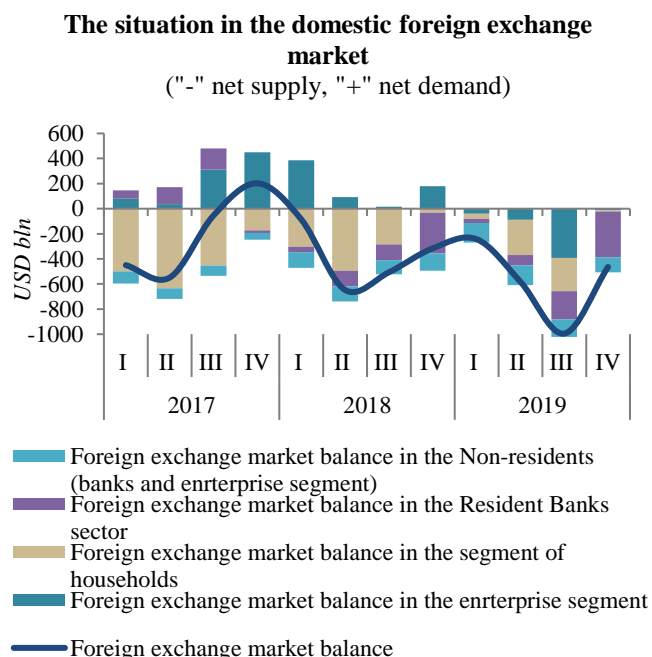
In 2019 Q4, the seasonal increase in demand for foreign exchange in the domestic foreign exchange market contributed to the nominal weakening of the Belarusian ruble and a decrease in the Belarusian ruble overvaluation of. Nevertheless, at the end of the reporting period, a certain disinflationary influence of the exchange rate was preserved.



Source: the National Bank's calculations



Source: the National Bank



Source: the National Bank