

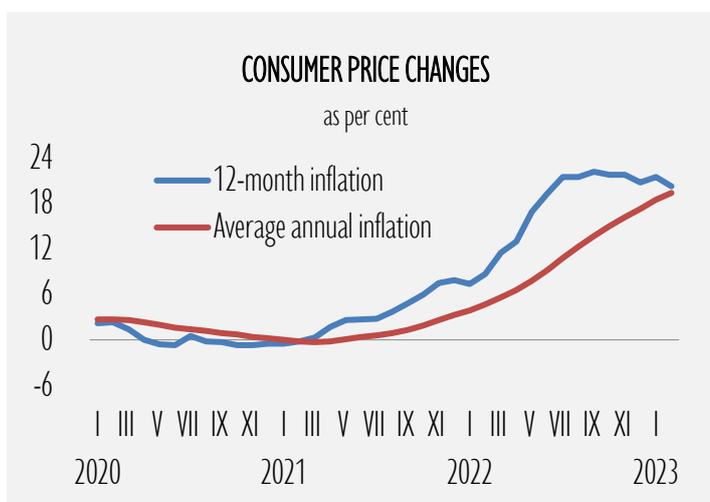
On Consumer Prices in February 2023

The price increase in February is slightly faster than it is characteristic for the month

According to the data of the Central Statistical Bureau (CSB), in February 2023, compared to January, the level of consumer prices increased by 0.6%. It increased by 0.6% and 0.4% for goods and services, respectively.

Traditionally, February is characterized by very moderate price changes, albeit this year the increase is slightly more rapid.

The largest positive effect in February yielded the increase in food prices by 1.2%, elevating the overall consumer price level by 0.3 percentage points. Food in February



traditionally has a seasonal price increase; however, in February 2023, it was a little more rapid than characteristic for the month. The largest positive effect provided the price increase of fresh vegetables, fresh fruit and coffee, while the largest negative effect yielded the price decrease of milk and dried, salted, and smoked meat. It should be noted that the prices of food products in the world are decreasing for the eleventh consecutive month. In February 2023, world food prices decreased by 0.6% during the month. Nevertheless, during the year, a decrease of 8.1% was observed. The drop in prices in February was determined by a sharp drop in vegetable oils and dairy products, compensating for the increase in sugar prices, while they remained practically unchanged for cereals and meat. For vegetable oils, the price index hit its lowest level since early 2021, continued to be determined by weak global import demand and ample export supplies. The fall in the price index of dairy products in February was determined by the decrease in prices for all dairy products, the fastest - for butter and skimmed milk powder. The decline in prices was driven by continued weakness in global import demand, particularly for short-term supplies, despite a significant pick-up in Asian purchases in recent weeks. In addition, an increase in export deliveries in Western Europe, where seasonal milk supplies have exceeded the corresponding monthly averages in recent months, also weighed on global export prices. Of the main cereals, world prices rose in February for wheat and corn, but fell for barley and rice. Wheat prices rose slightly in February after falling in the previous three months on concerns about dry conditions in key US winter wheat production areas and strong demand for supplies from Australia. In general, world grain prices were still 1.4% higher than in February of the previous year. Among meat products, world prices for poultry fell for an eighth consecutive month in February, reflecting abundant global supplies at the same time as lower import demand, despite bird flu outbreaks in several leading producer countries, beef and sheep prices were little changed, while pork prices rose on concerns the low availability of slaughter-ready pigs with increasing domestic demand in Europe. The sugar price index, on the other hand, reached its highest level since February 2017 in February, on the back of a cut in India's sugar production forecast and strong global import demand.

A significant price increase in February was observed for alcoholic beverages and tobacco products (by 2.2%), increasing the overall consumer price level by 0.2 percentage points.

Prices for services increased by 0.4% in February, elevating the overall consumer price level by 0.1 percentage points. The largest positive effect yielded the increase in prices for passenger air transportation, complex leisure services, ambulatory services due to the increase in the price of medical specialists and dental services, catering and accommodation services.

In February, fuel prices remained practically unchanged (an increase of 0.2%), which did not significantly affect the overall consumer price level. Fuel prices remain elevated, driven by high global

oil prices. World oil prices remained practically unchanged in February (on average decreased by 0.5% during the month). At the beginning of the month, the drop in oil prices was influenced by US news about the increase in the country's crude oil and gasoline reserves. The suspension of oil export transit through Turkey due to the devastating earthquakes in Turkey and Syria, increased demand in China, and Russia's announcement to cut oil production in response to price caps on Russian oil products set by the EU, G7, and Australia boosted oil prices in the first half of the month. On the other hand, the drop in prices in the second half of the month was influenced by data on a slower-than-expected slowdown in the rate of inflation, raising concerns about the decisions of central banks to continue raising interest rates, and the resumption of recession risks. It should be noted that world oil prices have stabilized (the average monthly price of Brent crude oil in the last three months was in the range of 82 - 84 US dollars per barrel).

The prices of housing-related energy resources also remained practically unchanged in February. The largest positive effect provided the 0.6% increase in electricity prices, which was influenced by a minor increase in its price on the stock exchange, while the prices of solid fuels decreased by 3.2% and heat energy by 0.2%.

The largest negative effect in February was a 2.7% drop in prices for personal care products and beauty care products, which reduced the overall consumer price level by 0.1 percentage points.

In February 2023, compared to February of the previous year, consumer prices increased by 20.3%. Annual average inflation was 19.4%.

In the future, the main influence on price changes will continue to be related to energy resource and food price fluctuations in the world, and their secondary influence on the prices of industrial goods and services will also be observed. Considering the uncertain geopolitical situation and the base effect of inflation dynamics, in 2023, overall average annual inflation is expected to be within 9%.