

On Consumer Prices in April 2023

Price changes characteristic of the month can be observed in April 2023

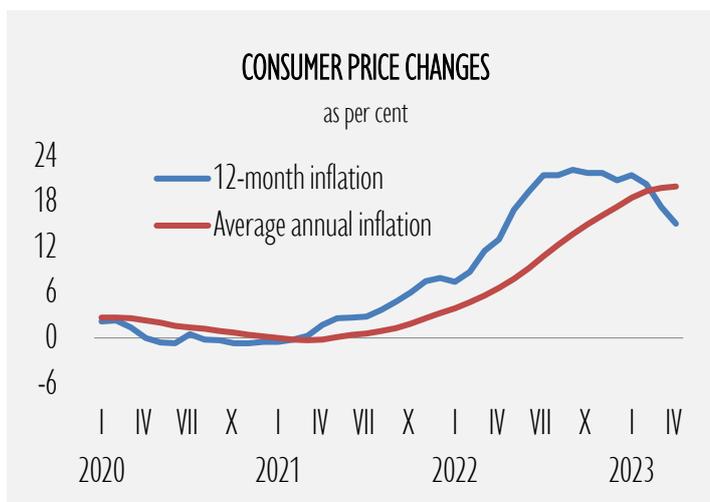
According to the data of the Central Statistical Bureau (CSB), in April 2023, compared to March, the level of consumer prices increased by 0.3%. It increased by 0.2% and 0.7% for goods and services, respectively.

In April 2023, characteristic monthly price changes can be observed, similar to the last years before the Covid-19 crisis (except for 2019, when the increase was 0.9%). In April, as in March, the dynamics of consumer prices was mainly determined by the seasonal increase in prices for clothes and shoes, while the rapid increase in prices for food has ceased.

Prices for clothes and shoes increased by 7% in April (prices for clothes increased by 3.2% and for shoes by 20.9%), which increased the overall level of consumer prices by 0.4 percentage points.

Prices for services increased by 0.7% in April, elevating the overall level of consumer prices by 0.2 percentage points. The largest positive effect yielded the increase in prices for housing rent, ambulatory services due to the increase in the price of medical specialists and dental services, passenger air and bus transportation, leisure and cultural services (television subscription fees), as well as catering and accommodation services. On the other hand, the drop in prices for complex leisure services had a major negative effect.

In April 2023, food prices had the lowest increase since August 2021. It should be noted that a minor price increase is typical for food in April, and this year we can observe changes in food prices characteristic of this month - during the month, food prices increased by 0.4%, which increased the overall level of consumer prices by 0.1 percentage points. The largest positive effect provided the increase in the prices of coffee, bread, and other pastries, while the largest negative effect yielded the decrease in the prices of fresh vegetables, cheese, and cottage cheese. It should be noted that world food prices showed a slight increase in April after a continuous decline in the previous twelve months. In April, they increased by 0.6% during the month, but during the year there was a decrease of 19.7%. The minor price increase in April was due to a sharp increase in sugar prices, as well as an increase in meat prices, while the prices of cereals, dairy products and vegetable oil continued to fall. The sugar price index hit its highest level since October 2011 in April amid downgraded sugar production forecasts in India and China, as well as lower-than-expected output in Thailand and the European Union, a slower start to the sugarcane harvest in Brazil, and a rise in oil prices. Among meat products, global prices continued to rise in April due to reduced supplies of beef for slaughter and for pork due to ongoing supply constraints and increased demand in Asia. Poultry prices rose after nine months of continuous decline as demand from Asia increased and supply decreased due to widespread bird flu outbreaks in several leading producer countries. Sheep meat prices remained stable. On the other hand, prices continued to decrease in April for all major types of cereals, except for rice. For wheat, it fell to the lowest level since July 2021, which was determined by ample supply opportunities from the Russian Federation and Australia, favorable crop conditions in Europe, as well as the agreement reached at the end of April on the transit of Ukrainian grain through the European Union countries, which had imposed grain imports at the beginning of the month restrictions from Ukraine. In general, grain prices in the world were 19.8% lower than in April of the previous year. The fall in the price index of dairy products in April was caused by a decrease in the prices of cheese and milk powder, while the prices of butter remained stable. Milk powder prices fell for the tenth month in a row, driven mainly by prolonged



weakness in global import demand and seasonally increasing milk production in Western Europe, which also weighed on the price drop for cheese as more milk went into cheese production. For vegetable oils, the price index hit its lowest level since late 2020 and fell 45% year over year, continued to be driven by weak global import demand and ample export supplies.

The prices of alcoholic beverages and tobacco products also increased by 1% in April, which elevated the overall level of consumer prices by 0.1 percentage points.

The largest negative effect in April yielded the drop in prices for energy resources related to housing, which reduced the overall level of consumer prices by 0.3 percentage points. The largest impact provided the decline in prices for electricity by 3.3%, which was affected by the drop in its price on the stock exchange, for solid fuel - by 6.3%, and heat energy - by 1.3%. It should be noted that the price of electricity on the Nord Pool exchange has fallen to the lowest level since May 2021.

In April, for the second consecutive month, fuel prices also decreased - by 1.1%, which reduced the overall level of consumer prices by 0.1 percentage points. This was due to a drop in diesel prices, while gasoline prices rose. After falling the previous month, global oil prices rose by an average of 5% over the month in April, with oil prices rising to their highest level in three months in the middle of the month following the decision by several OPEC+ members to cut oil production from May and after data publication on the decline of inflation in the US, in the eurozone and elsewhere, anticipating a policy change in raising interest rates. However, in the second half of April, oil prices gradually declined, driven by concerns about further inflationary dynamics and decisions by central banks to continue raising interest rates longer than expected, raising the risk of an economic recession.

Also, a significant price drop in April for personal hygiene products and beauty care products by 3.8%, which reduced the overall price level by 0.1 percentage points, was observed.

In April 2023, compared to April of the previous year, consumer prices increased by 15.1%. Annual average inflation was 20%.

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 effect on the prices of industrial goods and services will also be observed. Taking into account the uncertain geopolitical situation and the base effect of inflation dynamics, in 2023, overall average annual inflation is expected to be within 9%.