

On Consumer Prices in August 2023

In August, typical monthly price changes have been observed

According to the data of the Central Statistical Bureau (CSB), in August 2023, compared to July, the level of consumer prices decreased by 0.6%. It decreased by 0.7% and 0.1% for goods and services, respectively.

The month of August is characterized by a decrease in prices due to seasonal factors. August this year saw month-on-month price changes after an uncharacteristic increase in consumer prices in August in the previous two years.

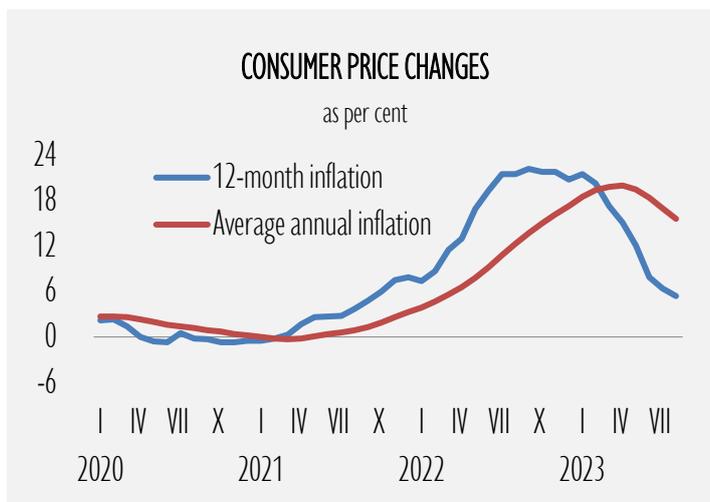
In August, the most significant factor contributing to a reduction in prices was a 1.8% decline in food prices, resulting in a 0.5 percentage point decrease in the overall price level. Historically, August has been associated with a decrease in food prices. Notably, the rapid surge in food prices seen in recent months came to a halt, and August 2023 witnessed the most substantial drop in food prices since August 2014. The primary driver of this August reduction was the decline in prices for fresh vegetables, accompanied by significant decreases in milk, dairy products, and egg prices. It's worth mentioning that following the previous month's increase, global food product prices also declined in August, dropping by 2.1% compared to July and marking an 11.8% decrease over the year. World food prices saw declines in August across all major food groups except for sugar. The dairy price index saw a significant decline, primarily due to price decreases across all dairy product categories. This drop was influenced by several factors, including an uptick in supplies from Oceania and decreased market activity in Europe during the summer holidays. Additionally, there was a reduction in import demand from China. Both vegetable oils and meat prices also sharply decreased as weaker import demand coincided with higher supply from exporters and robust output in key producing nations. The slight decrease in the cereal price index in August was due to declining wheat and coarse grain prices, driven by harvests in major producing countries, while rice prices surged significantly, influenced by trade disruptions following India's ban on Indica white rice exports in July. Overall, global grain prices were 14.1% lower than in the previous August. In contrast, sugar prices experienced a minor increase in August, primarily due to concerns regarding the potential impact of the El Niño phenomenon on production prospects for the 2023/2024 year, particularly in India and Thailand.

In August, one of the most significant contributors to the decrease in consumer prices yielded the decline in prices for housing-related energy resources. This had a notable impact, reducing the overall consumer price level by 0.3 percentage points. The most substantial reductions were observed in electricity prices, which dropped by 3%, and heat energy, which saw a decrease of 1.7%. Additionally, prices for solid fuel decreased by 1.5%.

Also, a significant price drop in August for personal care products and beauty care products by 4%, elevating the overall price level by 0.1 percentage points.

Prices for services remained essentially unchanged in August. The largest negative effect provided the drop in prices for transportation services, which was influenced by a sharp decrease in prices for international flights. On the other hand, the increase in prices for catering services, complex leisure services, housing rent and garbage collection had a positive effect on the consumer price level.

On the other hand, the largest positive effect in August provided the increase in fuel prices - by 6.5%, which increased the overall level of consumer prices by 0.5 percentage points. The prices of both diesel and petrol rose sharply. World oil prices rose sharply in August for the second consecutive



month – by an average of 6% during the month, both at the beginning and end of the month, with the price of Brent crude reaching USD 87 per barrel, which was the highest price since April 2023. The increase in oil prices continued to be determined by the voluntary reductions in oil production by Saudi Arabia and Russia and the oil production restrictions imposed by OPEC+ countries. The increase in oil prices was also influenced by the depreciation of the US dollar. Global oil prices continued to rise in the first weeks of September after Saudi Arabia and Russia announced that they would maintain production curbs until the end of the year, with Brent reaching \$90 a barrel, a ten-month high.

In August 2023, compared to August of the previous year, consumer prices increased by 5.4%. Annual average inflation was 15.6%.

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 tense geopolitical situation and the base effect of inflation dynamics, in 2023, the average annual inflation is expected to be within 9%.