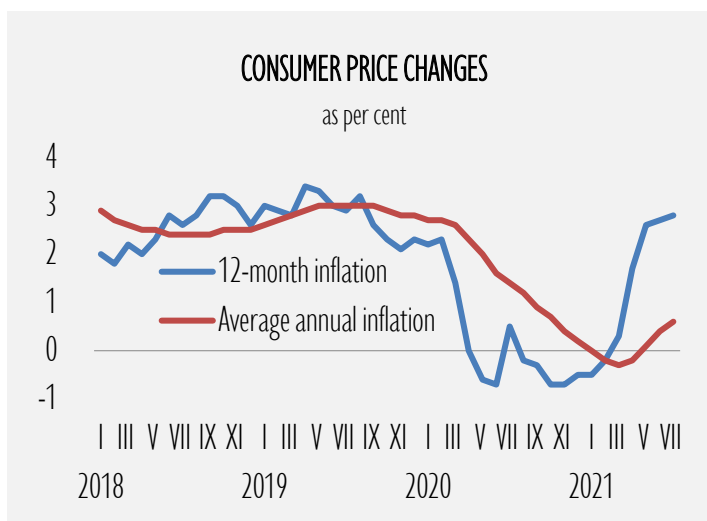


On Consumer Prices in July 2021

The rise in consumer prices in July can mainly be attributed to changes in tariff rates for natural gas

According to the Central Statistical Bureau (CSB), in July 2021, compared to June, the consumer price level increased by 0.4%. It increased by 0.3% and 0.5% for goods and services, respectively.

In July, consumer price levels tend to decline, driven by seasonal factors. For the second consecutive year, an increase in prices in July, which is not typical for this month, was observed. In 2020, it was mainly driven by rising demand and easing restrictions on the spread of Covid-19. However, in 2021, inflation was driven by rising prices for housing-related goods and services.



The largest upward effect in July yielded the rise in natural gas prices. Due to the increase in the natural gas tariff from July 1, 2021, natural gas prices increased by 41.8%, which was determined by the sharp rise in world oil prices. Prices for solid fuels also increased by 2.7%. Also, prices for electricity rose by 1.2%, which combined with the increase in prices for natural gas elevated the overall consumer price level by 0.4 percentage points.

The increase in prices for services by 0.5% had a large upward effect in July, increasing the overall consumer price level by 0.1 percentage point. The largest impact was observed in the rise in prices for housing rent, catering, and accommodation services.

In July 2021, fuel prices continued to rise (by 1.6%), thus elevating the overall consumer price level by 0.1 percentage point. The rise in fuel prices continues to be driven by the sharp rise in world oil prices in recent months. In July 2021, world oil prices continued to rise. However, the growth rate slightly moderated to 1.2% on average over the month. The more moderate rise in oil prices was driven by concerns about declining demand due to the growing global spread of the Covid-19 delta variant, as well as OPEC +'s ability to agree to increase oil production, which will also determine oil price developments in the coming months.

In July 2021, the largest downward effect due to seasonal discounts yielded the fall in prices for clothing and footwear (by 4.8%), which reduced the overall consumer price level by 0.3 percentage points.

In July 2021, food prices fell by 0.1%, which did not significantly affect the overall consumer price level. The largest impact yielded the fall in prices for fresh vegetables, fresh fruit, and the rise in prices for potatoes and poultry. It should be noted that world food prices fell for the second consecutive month, after a steady rise from June 2020 to May 2021. In July 2021, compared to June, food prices decreased by 1.2%. Prices fell in all major food groups except meat and sugar. Cereals prices fell the most, mainly due to lower corn prices due to better-than-expected yields in Argentina and the United States. On the other hand, the sharpest rise in prices was for sugar, which was affected by lower export opportunities from Brazil due to frost and drought, as well as a sharp rise in oil prices, shifting more sugar cane to ethanol production.

In other groups of goods and services, price fluctuations last month did not significantly affect the overall price level.

In July 2021, compared to July 2020, consumer prices increased by 2.8%. The average annual inflation was 0.6 percent.

9.8.2021.

In 2021, the average annual inflation could be around 2.5%, which will be higher than in 2020. As the pandemic recedes and the economy recovers, consumer prices will stabilize. At the same time, it will still be determined by global price fluctuations.