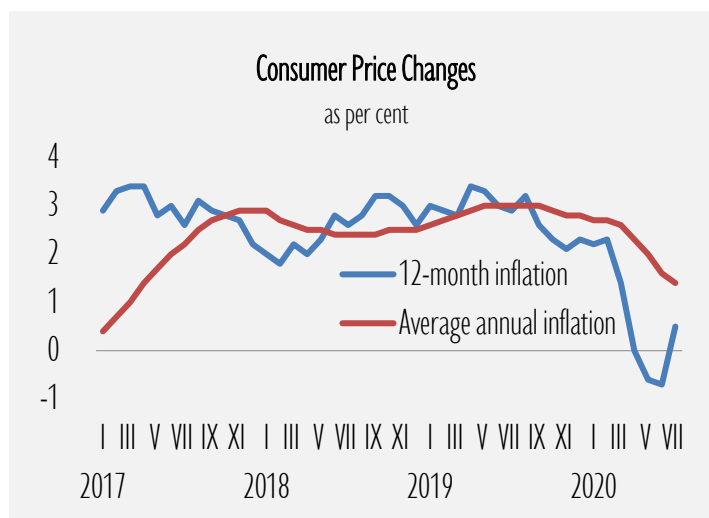


Consumer Prices in July 2020

Atypical consumer price changes in July 2020

According to the Central Statistical Bureau (CSB), in July 2020, compared to June, the consumer price level increased by 0.2%. The consumer price level for goods and services increased by 0.1% and 0.5%, respectively.

In July, consumer price levels tend to decline, driven by seasonal factors. In July 2020, atypical consumer price changes were observed. A rise in consumer prices was induced by increased demand and the easing of restrictions imposed to curb the spread of Covid-19. Formerly, the rise in prices in July was observed ten years ago.



For the second month in a row, fuel prices had the largest upward effect on the overall consumer price level. In July 2020, fuel prices rose by 3.4% over the month and the overall consumer price level increased by 0.2 percentage points. In July, world oil prices rose by an average of 6% over the month, reaching a four-month high of \$ 45 a barrel. The rise in oil prices continued to be driven by the easing of measures to curb the spread of Covid-19, expectations of rising demand, and the agreement reached by the EU to set up an economic recovery fund.

The increase in prices for services by 0.5% had a large upward effect in July, increasing the overall consumer price level by 0.2 percentage points. The largest impact was observed for out-patient services, rentals for housing, package holidays, and passenger transport.

In July 2020, food prices increased by 0.6%, amplifying the overall consumer price level by 0.1 percentage point. The largest impact yielded the rise in prices for potatoes and meat, whilst the largest negative contribution induced a decline in prices for fresh vegetables, fruit, and fish. It should be noted that world food prices have risen for the second month in a row. In July 2020, compared to June, world food prices increased by 1.2%. As in June, prices for vegetable oils, sugar, and dairy products increased. Also, prices for meat declined, while prices for cereals remained unchanged. Vegetable oils rose most sharply, driven by a slowdown in production and higher-than-expected global import demand, and new demand from both the biofuels and food sectors in the European Union.

Prices for alcoholic beverages also rose by 1.5%, thus increasing the overall consumer price level by 0.1 percentage point.

In July 2020, the largest downward effect on seasonal sales produced the 3.7% drop in clothing and footwear prices (i.e., the largest decline in July since 2003), which reduced the overall consumer price level by 0.2 percentage points.

Due to the reduction of the natural gas tariff from 1 July 2020, the prices for natural gas decreased by 9.8%. Also, prices for heat energy declined by 1.3%, together with the fall in prices for natural gas thus reduced the overall consumer price level by 0.1 percentage point.

In July 2020, compared to July 2019, consumer prices increased by 0.5%. The average annual inflation was 1.4 percent.

In 2020, the average annual inflation is expected to remain lower than in 2019. It will primarily be determined by the impact of the Covid-19 pandemic on the development of the global economy and the associated fluctuations in world prices. Supply and demand shocks will work contrarily and asynchronously. Therefore, inflation will remain volatile.