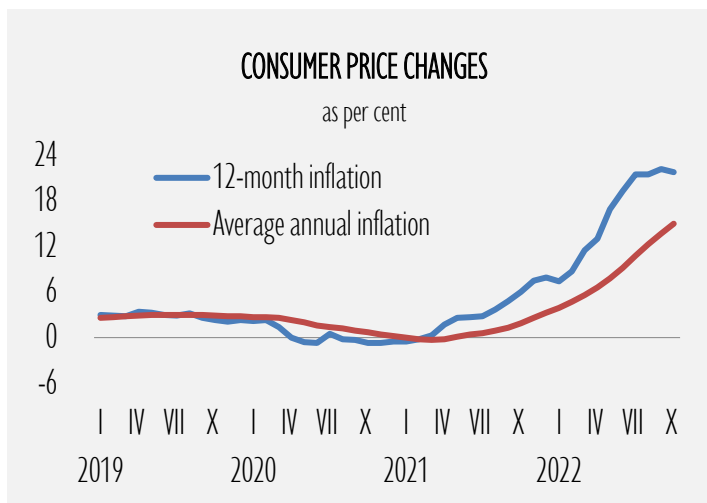


## On Consumer Price Changes in October 2022

**The increase in consumer prices has become more moderate**

According to the Central Statistical Bureau (CSB), in October 2022, compared to September, the level of consumer prices increased by 0.8%. It rose by 0.7% and 1% for goods and services, respectively.

October is characterized by an increase in prices, mainly due to seasonal factors. In October 2022, the largest impact provided the increase in prices for food and fuel, while the prices of energy resources related to housing decreased, which was affected by the support measures introduced by the government to compensate for the rapid increase in the prices of energy resources from October 1, 2022 to April 30, 2023.



Although price increases for food products are usually observed in October, in October 2022, the most rapid monthly food price increase since 2007 was observed. The prices of food products increased by 2.1%, elevating the overall consumer price level by 0.6 percentage points. The largest impact yielded the increase in the prices of fresh vegetables, bread and milk. It should be noted that the prices of food products in the world have been declining since April 2022. However, in recent months the price decline has become more and more moderate. In October 2022, compared to September, the prices remained virtually unchanged (down by 0.1%). Nevertheless, compared to October 2021, they were 2% higher. In October 2022, prices declined in all major food groups, except for cereals, whose price increases almost offset the overall price decline in other groups. Wheat and maize prices continued to be weighed down by uncertainty over continued Black Sea grain exports from Ukraine and concerns over dry conditions in Argentina, as well as a lower production outlook in the US and EU, while better prospects for barley production in the EU helped to somewhat limit price gains. World cereal prices were still 11% higher than last October. Dairy products, vegetable oils, and meat saw similar price reductions. Both dairy and meat prices fell for the fourth consecutive month. However, prices remained 15.4% higher for dairy products and 5.8% higher for meat than a year ago. Price declines in these groups in October were driven by weak demand and the impact of currency exchange, as well as market uncertainty about the future direction of demand due to high inflation and the economic slowdown. Vegetable oil prices fell mainly due to high stocks in Southeast Asia, despite concerns about adverse weather in major growing regions and uncertainty over exports from the Black Sea region. The price index for vegetable oils was almost 20% lower than a year ago.

After the fall in the previous three months, fuel prices rose in October by 4.7%, increasing the overall consumer price level by 0.3 percentage points. The price of fuel still remains high, influenced by high world oil prices. World oil prices, after falling in the previous months, started to rise again at the end of September. In October 2022, they increased by 3% on average during the month, which was mainly determined by the agreement of the OPEC+ organization of oil producing countries at the end of September to drastically reduce oil production from November. Although Brent oil fell to \$88 a barrel in mid-October, driven mainly by a strong US dollar and concerns about falling demand for oil due to a possible economic recession, oil prices rebounded in the second half of the month, with Brent rising in late October to 96 USD per barrel.

In October 2022, prices for services increased by 1%, elevating the overall consumer price level by 0.3 percentage points. The largest positive effect was observed in price increases for water supply and sewerage services, outpatient clinics, catering, recreation and cultural services, maintenance and repair of personal vehicles.

The largest negative effect provided the decline in prices for housing-related energy resources, which reduced the overall consumer price level by 0.4 percentage points. This was mainly determined by the state support provided from October 1, 2022, partially compensating households for electricity, natural gas, and heat energy payments. The sharpest price drop was observed for electricity - by 28.9%, which also had the largest negative effect on the consumer price level in October. The decline in electricity prices was also influenced by a sharp drop in its price on the stock exchange, which was facilitated by favourable weather conditions for electricity generation in Europe - an increase in precipitation and wind generation, a drop in prices for natural gas and coal, as well as an increase in energy flows from Finland and Sweden. In October 2022, the price of natural gas decreased by 0.2%. On the other hand, the price of thermal energy increased by 16.5%, albeit it represents a lower increase than it would have been observed without state support. The price of solid fuel also increased - by 3.3%.

In October 2022, compared to October 2021, consumer prices increased by 21.8%. The annual average inflation was 15 percent.

It is anticipated that in the coming months, price changes will continue to exceed the level of seasonal fluctuations. However, the price increase might not be as rapid as it was observed in previous months. It is forecast that in 2022 the average annual inflation could be close to 17%. At the end of 2022 and the beginning of 2023, inflation rates should start to decline.