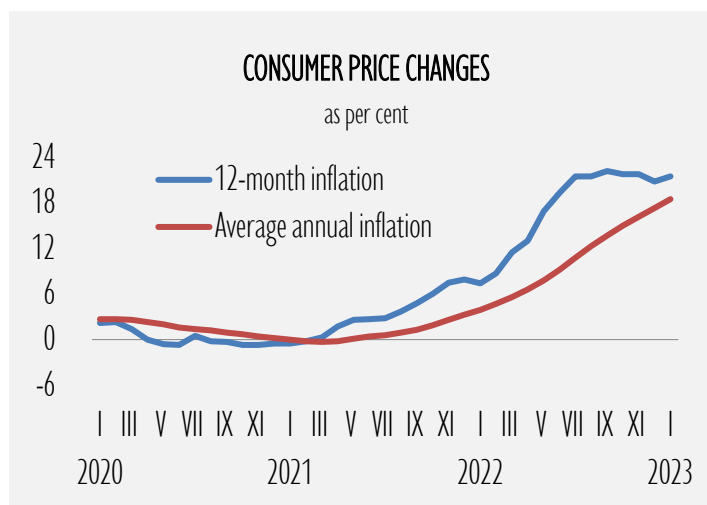


On Consumer Prices in January 2023

In January, characteristic monthly price changes can be observed

According to the data of the Central Statistical Bureau (CSB), in January 2023, compared to December 2022, the level of consumer prices increased by 0.5%. It increased by 0.5% and 0.7% for goods and services, respectively.

Traditionally, in January, an increase in prices can be observed. In January 2023, characteristic monthly price changes was observed, which were mainly influenced by the increase in prices for food, the decrease in prices for clothes and shoes, as well as changes in tax rates and tariffs, which traditionally have determined the increase in prices at the beginning of the year.



The largest positive effect in January was observed for the increase in food prices by 1.3%, elevating the overall level of consumer price level by 0.3 percentage points. Commonly, a seasonal price increase for food can be observed in January. The largest increase in prices was for observed bread and other pastries, fresh fruit, milk and eggs, while the largest decline occurred for cheese, cottage cheese, and butter. It should be noted that the prices of food products in the world are decreasing for the tenth consecutive month. In January 2023, prices decreased by 0.8% during the month. However, during the year, a decrease of 3.3% was observed. The price drop in January was determined by the decrease in the prices of vegetable oils, dairy products and sugar, while they remained practically unchanged for cereals and meat. The prices of vegetable oils fell the most rapidly, driven by weak global import demand and ample export supplies. The dairy price index reached its lowest level in the last 12 months in January 2023. It was primarily affected by limited import demand for sustained supplies at prevailing prices, driven by market expectations of further price declines and increased supplies from Oceania. Sugar prices fell after a sharp rise in the previous two months. The price decline was mainly influenced by a good harvest in Thailand and favourable weather conditions for the growth of sugarcane crops in the main growing areas of Brazil. On the other hand, the world prices of rice and corn increased, while those of barley and wheat decreased. Wheat prices fell for a third consecutive month in January, supported by larger-than-expected supplies of output from Australia and Russia. However, world grain prices were still 4.8% higher than in January of the previous year. Among meat products, world prices decreased for pork, poultry, and beef due to greater availability of exports from leading suppliers. Nevertheless, due to increased import demand, price increases were observed for mutton.

In January 2023, prices for services increased by 0.7%, elevating the overall consumer price level by 0.2 percentage points. The largest positive effect yielded the increase in prices for outpatient services due to the increase in the cost of medical specialists and dental services, and for waste collection, which was affected by the increase in the natural resource tax on household waste.

Also, a significant price increase for personal hygiene products and beauty care products (by 6.1%) and alcoholic beverages (by 1.9%) was observed, increasing the overall consumer price level by 0.2 percentage points.

After the significant drop in prices in the previous month, in January 2023, a slight increase in fuel prices - by 1.4%, mainly determined by the increase in the price of diesel fuel, increasing the overall consumer price level by 0.1 percentage points, was observed. Fuel prices remain elevated, driven by high global oil prices. World oil prices, after falling in November-December of the previous year, rose slightly in January 2023 - by an average of 2.8% during the month. This was mainly driven by

expectations of a recovery in demand in China after the lifting of strict Covid-19 containment measures and data on a slowdown in inflation.

In January 2023, the largest downward effect provided drop in prices for housing-related energy resources, which reduced the overall consumer price level by 0.3 percentage points. The largest impact yielded the drop in electricity prices by 4.7%, which was influenced by a sharp fall in its price on the stock exchange in late December, early January, and mid-January, reducing tariffs tied to electricity exchange prices. The drop in electricity prices was facilitated by favourable weather conditions for electricity production in Europe - moderate weather, high production from hydro and wind, as well as a drop in consumption as a result of holidays, a drop in prices for other energy resources and an increase in energy flows from Finland and Sweden. Prices also decreased for solid fuel - by 6.2% and for thermal energy - by 0.6%. Natural gas, on the other hand, saw a slight increase in price (by 1.3%) due to tariff changes from January 1, 2023.

In January 2023, declining prices for clothing and footwear (down 4.6%) had a downward effect in connection with seasonal sales, diminishing the overall consumer price level by 0.2 percentage points.

In January 2023, compared to January of the previous year, consumer prices increased by 21.5%. Annual average inflation was 18.5%.

Consumer prices will stabilize this year. The main influence on price changes will still be related to fluctuations in the prices of energy resources and food 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%.