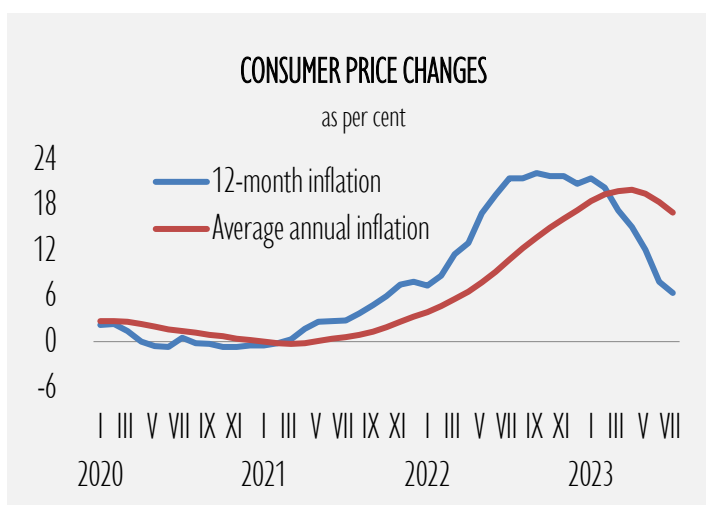


On Consumer Prices in July 2023

The level of consumer prices in July was affected by the increase in tariffs for electricity distribution system services

According to the data of the Central Statistical Bureau (CSB), in July 2023, compared to June, the level of consumer prices increased by 0.7%. It increased by 0.6% for goods and 1.1% for services, respectively.

In July, the level of consumer prices tends to decrease, influenced by seasonal factors. For the fourth year in a row, a price increase has been observed in July, which is not typical for this month. In July 2023, inflation was mainly affected by the increase in electricity prices, which was determined by the rise in tariffs for distribution system services.



The increase in the price of distribution system services affected the increase in electricity prices by 17.6%, which also had the largest positive effect in July, elevating the overall level of consumer prices by 0.7 percentage points. On the other hand, prices for heat energy decreased by 2.3%, which was mainly determined by the reduction of heat energy tariffs in several municipalities from July 1, 2023. The prices of solid fuel also decreased by 2.3%.

The increase in prices for services by 1.1% in July had a major positive effect, which elevated the overall level of consumer prices by 0.3 percentage points. The largest positive effect yielded the increase in prices for transportation services, which was affected by the rise in prices for international flights. The increase in prices for participation in leisure and sports events, complex leisure services, as well as catering and food service activities also had a significant impact.

After falling in the previous four months, fuel prices rose by 2.1% in July, which increased the overall level of consumer prices by 0.1 percentage points. The prices of diesel fuel rose more rapidly, and the price increase of gasoline was more moderate. After falling in the previous two months, global oil prices rose sharply in July, averaging 7% over the month, with Brent crude reaching \$85 per barrel at the end of the month, the highest price in four months. Oil prices rose on the back of voluntary output cuts by Saudi Arabia and Russia and OPEC+'s agreement to further cut output to support the oil market, as well as an improving outlook for Chinese demand, with Chinese authorities pledging to support the economy amid expectations of stronger fuel consumption growth in the country. Meanwhile, the U.S. Federal Reserve and the European Central Bank raised interest rates further in July to reduce lingering inflation, raising concerns about weaker long-term demand and undermining market sentiment that has curbed a sharper rise in oil prices.

Also, a significant price increase in July for household cleaning and care products by 10.8% and personal care products and beauty products by 4.1% was observed, each of which increased the overall consumer price level by 0.1 percentage points.

In July, the most significant contributor to the reduction in overall prices was a 1.2% drop in food prices, which had a 0.3 percentage point impact on the overall price level. This decline in food prices during July is a typical seasonal trend. It's worth noting that the recent rapid increase in food prices has ceased in recent months. In fact, July 2023 saw the most substantial drop in food prices since August 2020. One of the key factors contributing to this July reduction was a decrease in the prices of fresh vegetables, primarily due to seasonal factors. Conversely, food product prices globally rose by 1.3% in July, although they were still down by 11.8% year-on-year. This July increase was driven by a

significant surge in vegetable oil prices, partially offset by notable decreases in sugar prices, as well as slight declines in cereal, dairy product, and meat prices. For vegetable oils, the price index soared by 12.1% after seven consecutive months of decline but remained 23% lower than the previous year. This increase was fueled by concerns about production prospects and rising crude oil prices. Sunflower oil, in particular, experienced a significant surge due to renewed uncertainty surrounding supplies from the Black Sea region following Russia's withdrawal from an international export agreement with Ukraine. Sugar, on the other hand, witnessed the sharpest price decline, marking the second consecutive monthly drop after four months of substantial increases. However, sugar prices remained 29.6% higher compared to the previous year. This decline was attributed to favorable sugarcane harvests in Brazil and India, coupled with reduced demand from Indonesia and China. Concerns about the potential impact of the El Niño phenomenon on the 2023/2024 sugarcane crops, especially in Thailand, as well as higher crude oil prices, limited the decline in global sugar prices. In July, the slight decrease in the cereal price index was primarily driven by a drop in coarse grain prices, while wheat prices rose by 1.6%. This increase, the first after nine months of decline, was due to uncertainties surrounding Ukraine's exports following Russia's termination of the Black Sea Grain Initiative and the subsequent damage to Ukraine's port infrastructure. Overall, world grain prices were 14.5% lower than in the previous July. The decline in the milk product price index during July was influenced by reduced prices of skimmed milk powder and butter. This reduction resulted from decreased market activity in Europe during the summer holidays and weakened interest in import demand in the following months, amid market uncertainty regarding future price trends. Among meat products, pork prices continued to rise in July for the sixth consecutive month, driven by limited supplies from the EU and the US, coupled with robust seasonal demand. Conversely, beef, sheep, and poultry prices declined due to increased supplies from Australia and Oceania, along with reduced demand from major importing countries. Despite ongoing bird flu outbreaks and increased supplies from leading exporting countries, poultry prices experienced a slight dip in July.

In connection with sales that occur seasonally every year, prices also fell in July for clothing and footwear by 4.5%, which reduced the overall level of consumer prices by 0.2 percentage points.

In July 2023, compared to July of the previous year, consumer prices increased by 6.4%. Annual average inflation was 17%.

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