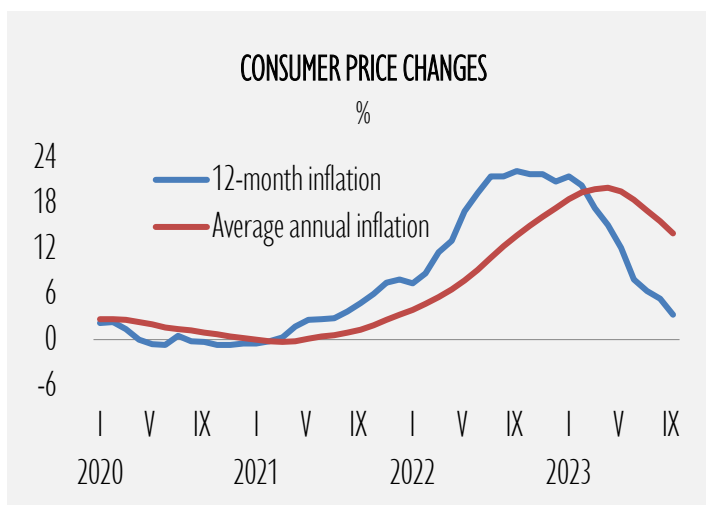


On Consumer Prices in September 2023

In September 2023, an atypical occurrence of price reduction can be observed

According to the Central Statistical Bureau (CSB) data for September 2023, there was a notable decrease in consumer prices, with a 0.4% drop compared to August. This reduction was more pronounced for goods, decreasing by 0.5%, and for services, which saw a 0.2% decrease. Typically, September witnesses a rise in prices, especially for clothing and shoes due to the introduction of new seasonal items. However, contrary to this trend, prices experienced a significant decline in September.



This decline was influenced by state support aimed at partially offsetting the increased costs of distribution system services. The most substantial impact in September was the reduction in prices for energy resources related to housing. State support, achieved by a 60% reduction in the fixed part of the system service tariff for households from September 1 to December 31, 2023, resulted in a 19.9% decrease in electricity prices. This reduction had the most substantial effect in September, contributing to an overall 0.8 percentage point reduction in consumer prices. Additionally, there was a marginal decrease in prices for solid fuel by 1.4% and heat energy by 0.1%.

The 0.3% drop in food prices in September also contributed to lowering the overall price level by 0.1 percentage points. Notably, the rapid increase in food prices observed in the last six months came to a halt. Seasonal factors played a role in the significant drop in prices for fresh vegetables, potatoes, and bread, while the most significant increase was noted in the price of milk. It's worth mentioning that, compared to August, global food product prices remained largely stable in September, but they experienced a 10.7% decrease over the year. The decline in vegetable oils, dairy products, and meat price indices offset the rise in sugar and cereal price indices. Vegetable oil prices, in particular, experienced the swiftest decline in September, driven by a seasonal increase in production in major producing countries and abundant export supplies.

The dairy price index recorded its ninth consecutive monthly decline in September, influenced mainly by weak import demand for spot and short-term supplies amid high inventories in leading producing regions. Meat prices experienced a more moderate drop, with declines noted for pork, poultry, and mutton, while strong demand for lean beef imports, particularly in the US, led to increased beef prices. After seven months of decline, cereal prices saw a modest increase in September, driven by a rise in coarse grain prices, while wheat prices continued to fall due to ample supplies from Russia. Overall, global grain prices were 14.6% lower than in September of the previous year. Conversely, the sugar price index saw a sharp increase in September, reaching its highest level since November 2010. This rise was primarily due to drier-than-usual weather in India and Thailand, intensifying concerns about the potential impact of the El Niño phenomenon on the 2023/2024 annual production prospects, coupled with higher oil prices.

In September, service prices decreased by an average of 0.2%, contributing to a 0.1 percentage point reduction in the overall consumer price level. The most significant negative impact came from reduced prices for transportation services, primarily influenced by the decline in international flight prices. Towards the end of the season, accommodation service prices witnessed a notable drop. Conversely, the most significant positive impact was observed in the increased prices of higher and preschool education services.

In September, fuel prices increased for the third consecutive month, rising by 4.8%, contributing to a 0.3 percentage point increase in the overall consumer price level. Both diesel and petrol prices experienced significant hikes. Global oil prices also continued their rapid ascent, marking a 9% average increase during September. By month-end, Brent crude oil reached \$96 per barrel, the highest level in the past ten months. This upward trend was driven by voluntary oil production cuts from Saudi Arabia and Russia, along with commitments to maintain production limits until year-end. Other OPEC+ countries also adhered to oil production limits. Russia additionally imposed fuel export restrictions to stabilize its domestic market, while declining US crude inventories played a role. However, concerns over weakening global demand led to a sharp drop in global oil prices in the first week of October, rebounding after Hamas' surprise attack on Israel.

In September, prices for clothing and shoes surged by 5% due to the new sale of autumn season goods, contributing to a 0.3 percentage point increase in the overall consumer price level. Towards the end of promotions, there was a significant price hike for personal hygiene and beauty care products by 5.8%, elevating the overall price level by 0.1 percentage points.

Comparing September 2023 to the same month the previous year, consumer prices increased by 3.3%, with an annual average inflation rate of 14%. Going forward, the primary factors influencing price changes will continue to be related to fluctuations in global energy resource and food prices. Secondary effects on the prices of industrial goods and services will also be observed. Considering the tense geopolitical situation and the base effect of inflation dynamics, the expected average annual inflation for 2023 is within 9%.