

On Consumer Prices in October 2023

Consumer prices continued to decline in October 2023

According to data from the Central Statistical Bureau (CSB), in October 2023, compared to September, consumer prices decreased by 0.4%, with goods experiencing a 0.5% decrease and services a 0.3% decrease.

The decrease in consumer prices in October, which is typically characterized by a rise in prices due to seasonal factors, was notable this year, marking the sharpest drop in prices on record for this month. The reduction was primarily influenced by a decrease in prices for housing-related energy resources, which contributed to a

0.4 percentage points decrease in the overall consumer price level. Notably, electricity prices dropped by 5.7%, and heat energy prices decreased by 3.5%. Favorable weather conditions, including higher-than-normal precipitation, positively impacted Nordic hydropower and water reservoir levels, contributing to lower electricity prices.

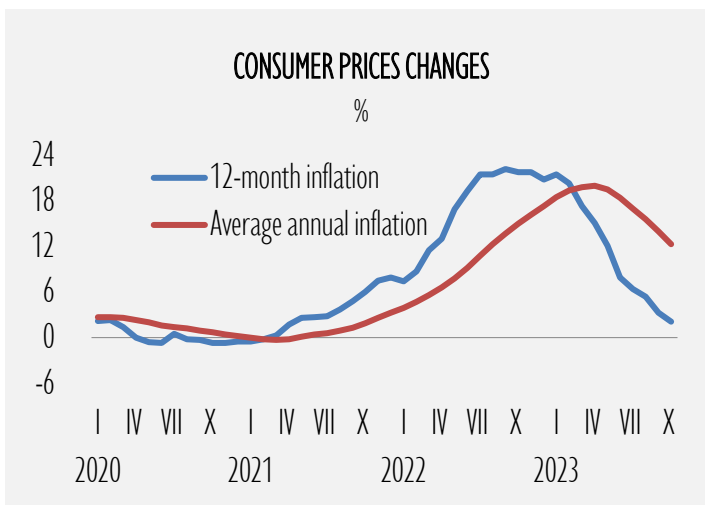
Additionally, personal hygiene products and beauty care products saw a significant price drop of 7.2% in October, attributed to promotions, leading to a 0.1 percentage point reduction in the overall price level.

In the services sector, prices decreased by an average of 0.3% in September, with the most significant reducing effect coming from transportation services, particularly influenced by a decline in prices for international flights. Complex recreation services and accommodation services also experienced a notable drop in prices towards the end of the season. However, water supply and sewerage services saw an increasing effect on the overall service sector prices.

In October, the most significant increasing effect was the 0.7% increase in food prices, contributing to a 0.2 percentage points increase in the overall price level. This aligns with the typical October trend of rising food prices. The impact of seasonal factors was evident in the increase in prices for fresh vegetables and fresh fruits, while the most significant reducing effect was observed in meat prices.

It's worth noting that in October, global food product prices continued to decrease compared to September, with an average monthly decline of 0.5%, and a year-over-year decrease of 10.9%. Sugar prices experienced the most significant decline, driven by strong production rates in Brazil, a weakened Brazilian real against the US dollar, and lower ethanol prices. However, concerns about the potential impact of the El Niño phenomenon and logistical constraints in Brazil limited the sharper decline in sugar prices, which remained 46.6% higher than the previous year. Cereal prices eased in October, mainly due to lower wheat prices, reflecting higher-than-expected US supplies and strong export competition. Overall, global grain prices were 17.9% lower than in October of the previous year. Vegetable oils and meat experienced more moderate price drops. Among vegetable oils, palm oil prices fell due to seasonally higher output in leading producing countries. The meat price index decreased for the fourth consecutive month, with declining pork prices and slight increases in poultry, beef, and sheep meat prices.

The dairy price index, however, rose in October after nine months of decline, driven by higher prices for milk powder and butter. Rising import demand, especially from Northeast Asia, along with tight supplies in Western Europe and uncertainty about the impact of El Niño on expected milk production in Oceania, contributed to the increase in dairy prices.



For the fourth consecutive month, fuel prices increased, but in October, the rise was very moderate—by 0.2%, which did not significantly impact the overall consumer price level. Diesel fuel prices went up, but this increase was practically offset by a decrease in gasoline prices. Global oil prices decreased in October, averaging a 4% drop during the month. Concerns about weakening global demand led to a sharp decline in early October, rebounding after an unexpected attack by Hamas on Israel. Brent crude prices ended the month at \$86 per barrel as concerns about a broader conflict in the Middle East eased. The drop in oil prices was also influenced by signs of weakening demand in the US and data on a decline in economic activity in China, the world's largest oil consumer.

In October 2023, compared to the same month the previous year, consumer prices increased by 2.1%. The annual average inflation rate was 12.3%. Looking ahead, the primary influence on price changes will continue to be related to fluctuations in global energy resource and food prices, with their secondary impact observed on the prices of industrial goods and services. Considering the tense geopolitical situation and the base effect of inflation dynamics, the average annual inflation for 2023 is expected to be around 9%.