

On Consumer Prices in January 2021

In January 2021, the consumer price level was affected by seasonality, rising world prices and changes in tax rates

According to the Central Statistical Bureau (CSB), in January 2021, compared to December 2020, the consumer price level increased by 0.4%. An increase by 0.4% and 0.3% was observed for goods and services, respectively.

Ordinarily, prices have risen in January. In January 2021, the rise in prices was similar as in recent years. It can primarily be attributed to rising fuel and food prices, as well as changes in tax rates and tariffs, which have usually led to higher prices at the beginning of the year.

In January 2021, the largest upward effect yielded the rise in fuel prices, which rose by 4.7%, increasing the overall consumer price level by 0.25 percentage points. The rise in fuel prices was influenced by the increase in world oil prices observed in the last months of the previous year. Also, world oil prices continued to increase sharply in January 2021, rising by an average of 10% over the month. This was fuelled by optimism about the global economic recovery and vaccination against Covid-19, as well as the decision by OPEC and its allies to reduce oil production.

Housing-related services also had an upward effect in January 2021, by 0.8%, increasing the overall consumer price level by 0.1 percentage point. The sharpest increase was observed for natural gas due to the increase in tariffs from 1 January 2021 and for waste collection, which was affected by the increase in the natural resources tax.

In January 2021, food prices rose by 0.4%, increasing the overall consumer price level by 0.1 percentage points. Due to seasonality, food prices have usually increased in January. The largest impact on the consumer price level yielded the rise in prices for fresh fruit and vegetables and the fall in prices for meat. It should be noted that world food prices continue to rise for the eighth consecutive month. In January 2021, compared to December 2020, they increased by 4.3%, which was the largest price increase in a month since July 2014. In January, prices rose in all major food categories. Sugar prices rose the most, driven by weaker harvest prospects in the EU, Russia, and Thailand, drier-than-usual weather in South America, and rising crude oil prices. Prices also rose sharply for cereals, especially maize, driven by strong global demand, in particular from China, the temporary suspension of export registrations in Argentina, declining stocks in the US, as well as the concerns about declining Russian sales from March 2021 when wheat export tax is anticipated to double.

Also, prices for personal hygiene goods and beauty products increased by 4.4%, elevating the overall price level by 0.1 percentage points.

In January 2021, the largest downward effect due to seasonal sales and declining demand due to Covid-19 restrictions yielded was the fall in prices for clothing and footwear (a decrease of 5%), which reduced the overall consumer price level by 0.3 percentage points.

In January 2021, compared to the corresponding month last year, consumer prices declined by 0.5%. The average annual inflation was zero percent.

In 2021, the average annual inflation could reach around 1-1.2%, which will be higher than in 2020. Consumer prices will continue to fall in the coming months, with demand remaining low due to measures introduced to curb the spread of the virus. As the pandemic recedes, consumer prices will stabilize. At the same time, the consumer price level will be determined by fluctuations in world prices.

