

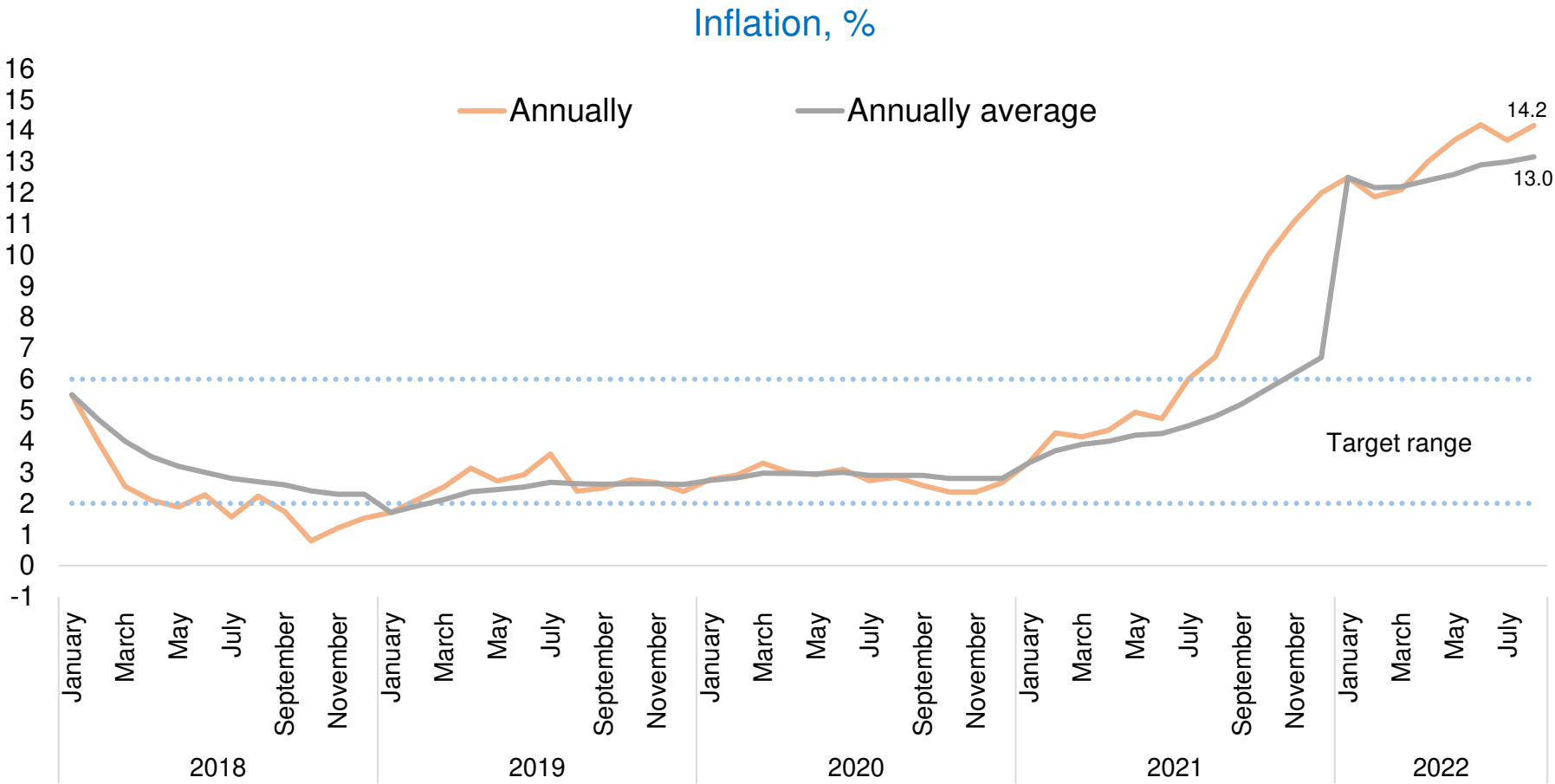
Inflation is back to Azerbaijan

Elchin Gulaliyev

Central Bank of the Republic of Azerbaijan

Along with the annual inflation, the average annual inflation also increased

- Inflation has reached the maximum of the last 5 years
- Annual inflation increased to 14.2% in August

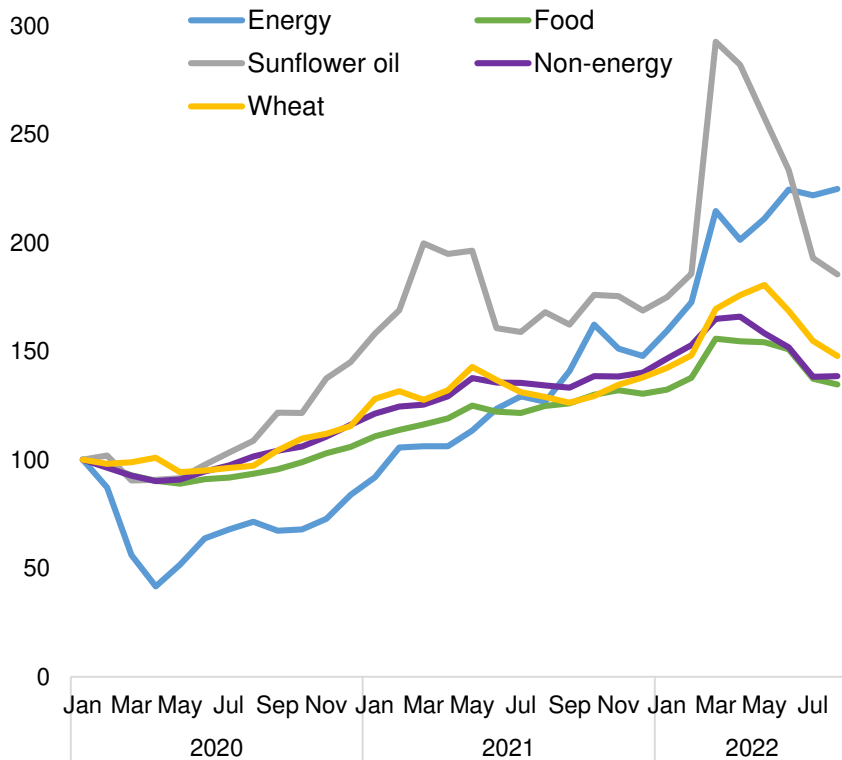


Source: State Statistics Committee

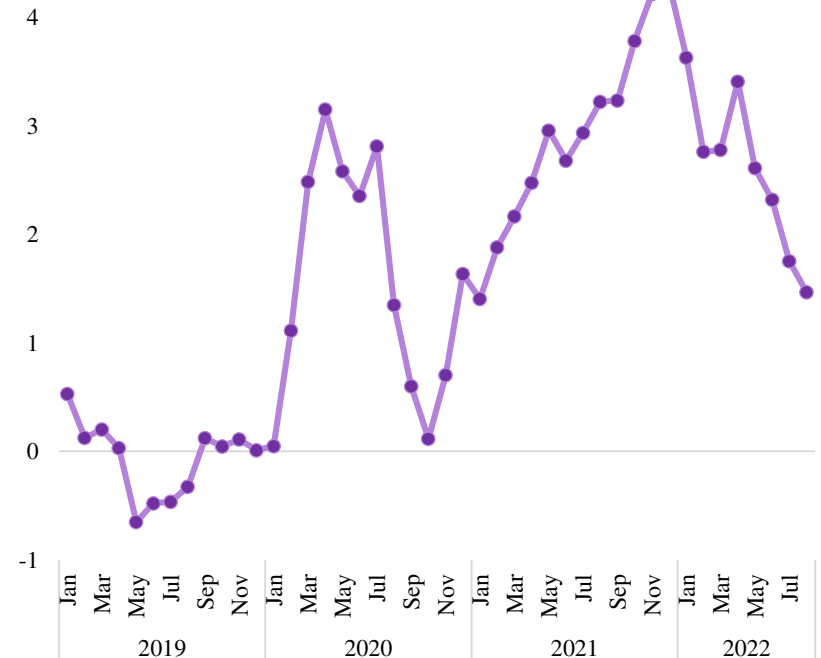
World food price decreased in the last month, although import inflation remains high

- In August, except for global energy and non-energy prices, the prices of other indicators decreased in general
- The Global Supply Chain Pressure Index* has declined over the past 4 months, but still remains at a high level
- The average annual growth rate of import prices was 21.5% in the first half of 2022

Global price indices (2020 Jan = 100)



The Global Supply Chain Pressure Index



Source: Federal Reserve Bank of New York

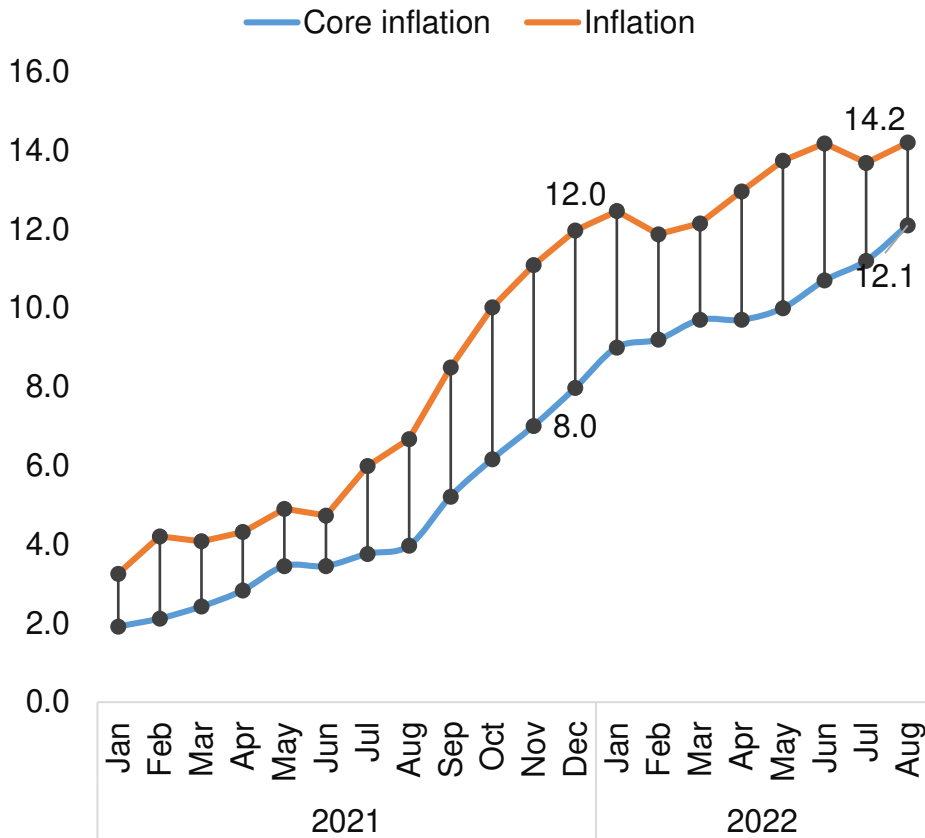
*The Global Supply Chain Pressure Index is a barometer calculated by the New York Fed that can be used to track global supply chain pressures and measure the economic significance of supply constraints.

Source: World Bank and FAO

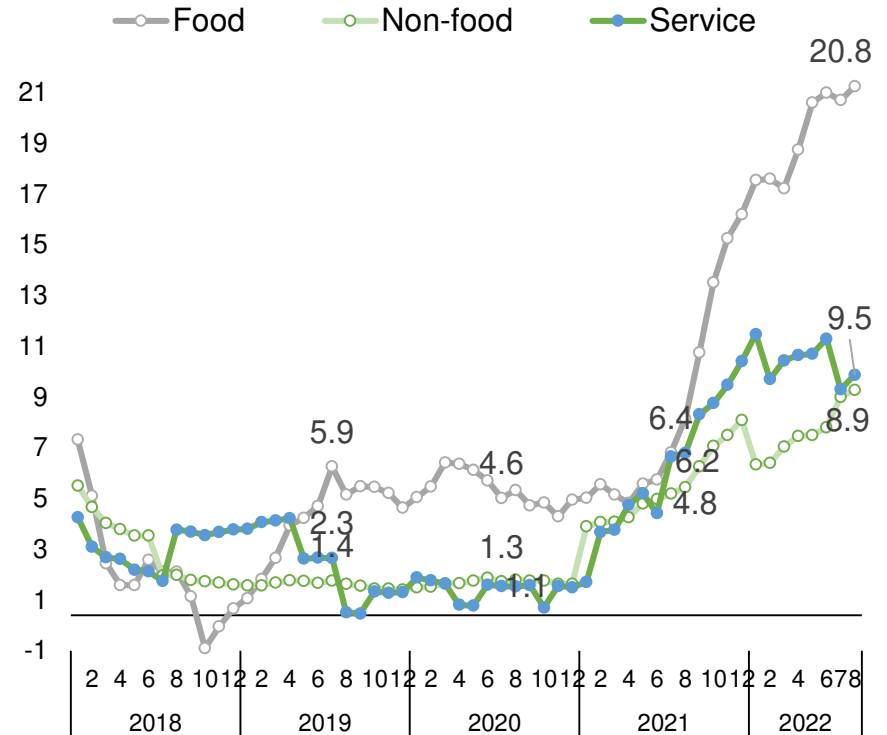
Inflation increases due to permanent factors

- 9.1 percentage points out of 14.2 is food inflation
- At the end of last year, 67% of inflation was explained by core inflation, in August it rose to 85%.

Annually core and general inflation dynamics, %-basis



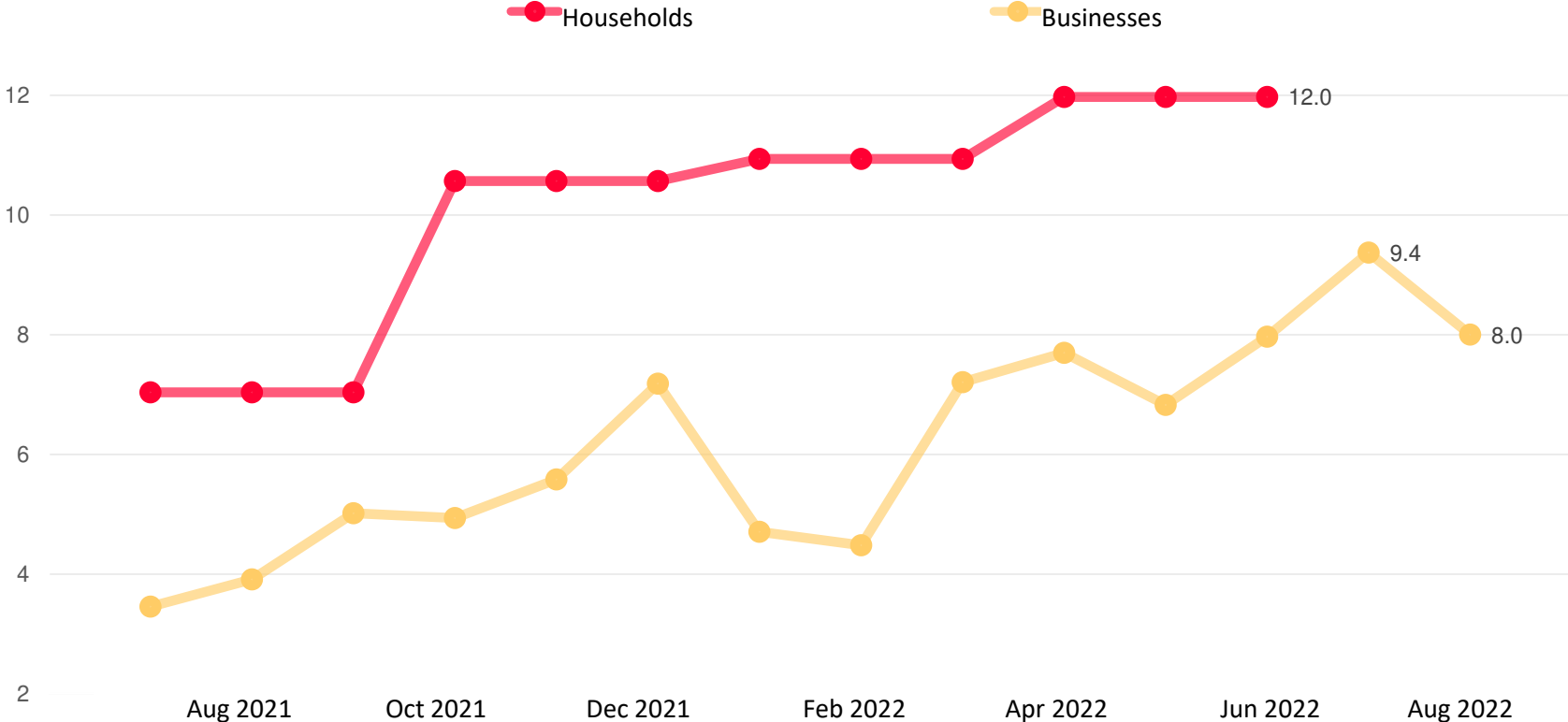
Annual inflation by components, % basis



Inflation expectations tend to rise

- More than 80 % of household respondents expects inflation
- Real sector inflation expectations have increased by 1.4 bps since last month

Expected inflation across business sectors and households, in %

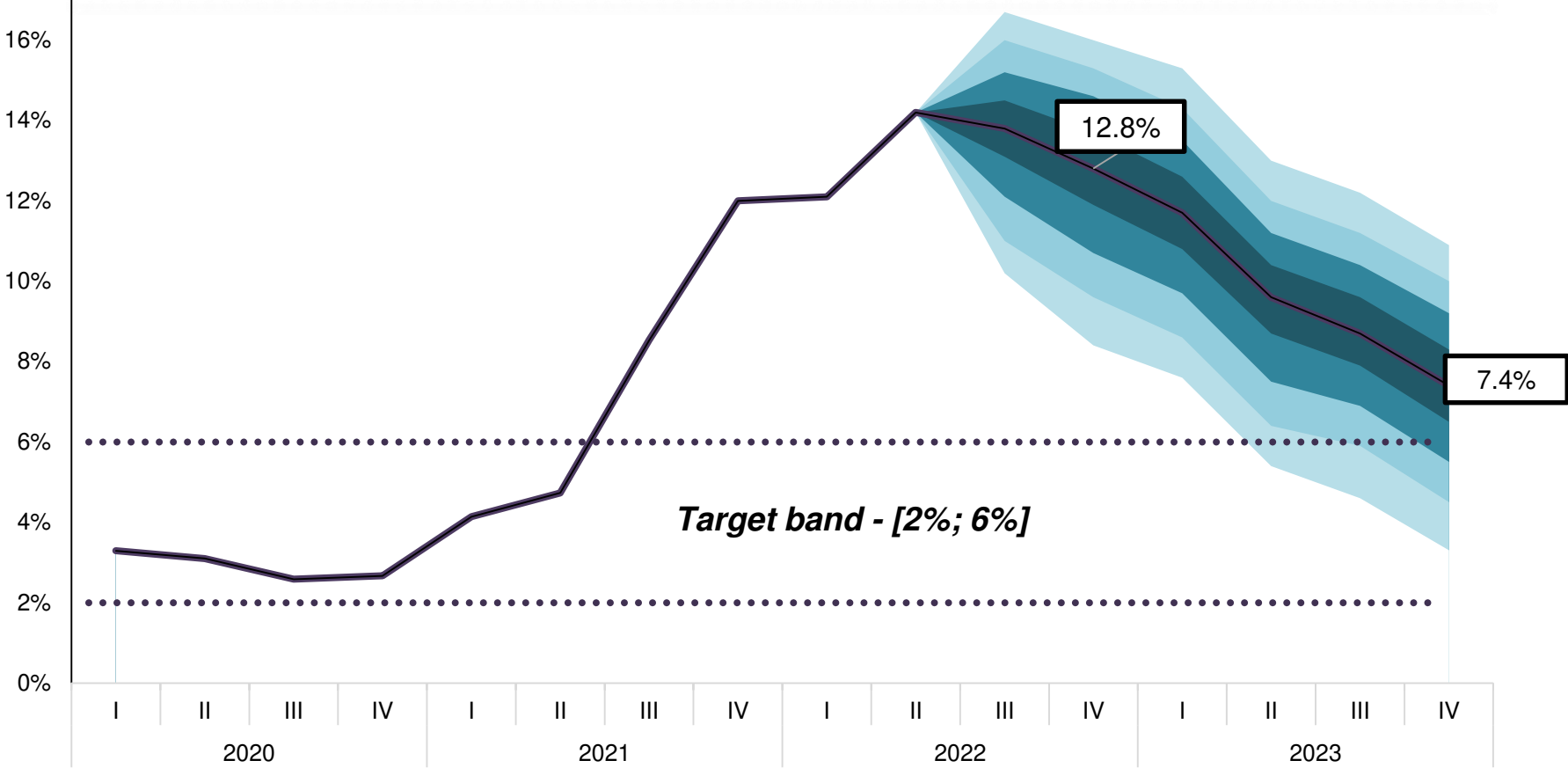


* Annually, ** 3 month expectations

Inflation forecast revised down due to base effect of previous year

- CPI inflation will be closer to upper bound of the target in 2023.

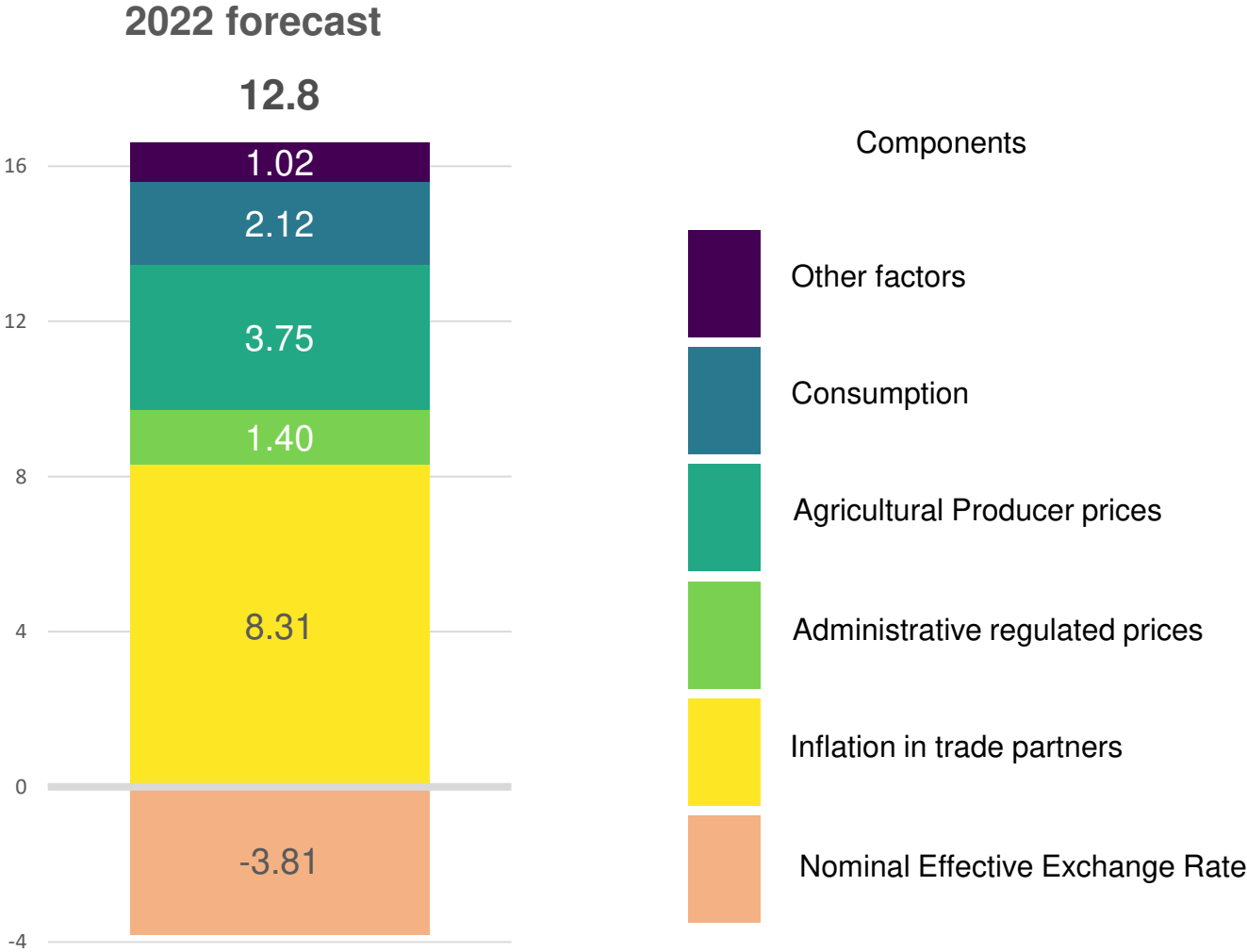
CPI forecast, %



Source: CBAR estimations

Main factor of future inflation is also imported price hikes

- Net effect of supply side factors is 9.6 percentage points
- Nominal Effective Exchange Rate is counted as monetary factor



Source: CBAR estimations