

On Consumer Prices in September 2021

In September 2021, prices have increased more rapidly than characteristic for the month

According to the Central Statistical Bureau (CSB), in September 2021, compared to August 2021, the consumer price level increased by 1.1%. For goods and services, it rose by 1.4% and 0.2%, respectively.

In September, prices usually tend to increase, commonly driven by rising clothing and footwear prices due to sales of new seasonal goods. However, in 2021, the increase can primarily be attributed to the spike in energy prices. In September 2021, the most rapid price increase since 2008 has been observed.

In September 2021, similarly to August, the largest upward effect on the consumer price level provided the rise in heat and electricity prices. The price of heat energy increased by 10.1%, predominantly influenced by the rise of the heat energy tariff of JSC "Rīgas siltums" from September 1 due to the rapid increase in the price of natural gas. On the other hand, the price of electricity increased by 4.2%, which along with the rise in prices for heat energy elevated the overall consumer price level by 0.5 percentage points.

In September 2021, prices for clothing and footwear increased by 4.8% due to the sale of new autumn season goods, thus elevating the overall consumer price level by 0.2 percentage points.

In September 2021, the rise in food prices (which have declined for two consecutive years in September) had a large upward effect on the consumer price level. During the month, food prices rose by 0.6%, increasing the overall consumer price level by 0.2 percentage points. The largest upward effect provided the rise in prices for fresh vegetables and dairy products. However, the largest downward effect yielded the fall in prices for poultry, eggs, and fresh fruit. It should be noted that world food prices continued to rise and reached their highest level in ten years. In September 2021, compared to August, world food prices increased by 1.2%. Prices rose in all major food groups. The sharpest price increases were observed for cereals, primarily driven by higher prices for wheat, and vegetable oils, which were affected by strong import demand.

In September 2021, prices for services increased by 0.2%, thus elevating the overall consumer price level by 0.1 percentage point. The largest upward effect provided the rise in prices for leisure and cultural, catering and outpatient services. However, the largest downward effect brought the fall in prices for air and sea passenger transport, accommodation services, and housing rents.

In September 2021, fuel prices increased by 0.1%, which did not significantly affect the overall consumer price level. High fuel prices continue to be affected by the sharp rise in world oil prices. After a slight decline in August and September 2021, world oil prices rose sharply - by 6.4% on average per month, with Brent oil prices reaching a three-year high of USD 80 per barrel at the end of the month. The rise in oil prices was driven by limited oil supplies, optimism regarding higher demand, and the fall in US crude oil reserves following tropical storms, which halted oil production in the Gulf of Mexico.

In September 2021, compared to September 2020, consumer prices increased by 4.8%. The average annual inflation was 1.3 percent.

In 2021, the average annual inflation could reach 3%. As the pandemic recedes and the economy recovers, consumer prices will stabilize. At the same time, it will still be largely determined by world price fluctuations.

