

## On Consumer Prices in November 2021

## In November 2021, price increase has been more rapid than characteristic for the month

According to the Central Statistical Bureau (CSB), in November 2021, compared to October 2021, the consumer price level increased by 1.1%. It increased by 1.4% and 0.2% for goods and services, respectively.

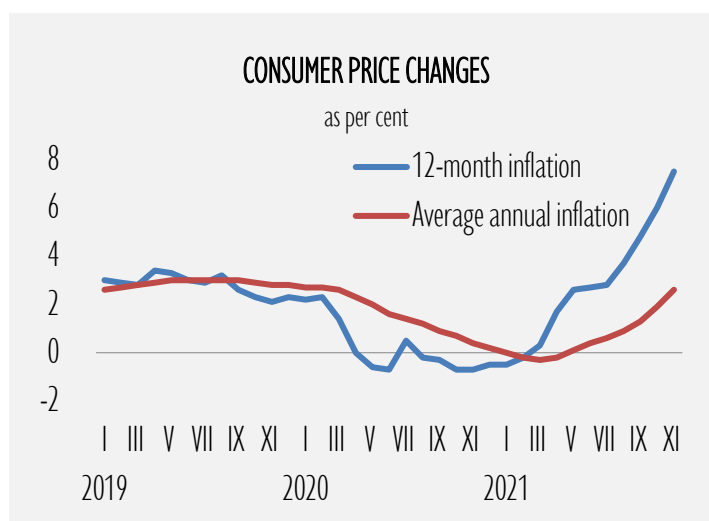
Overall, November is characterized by falling prices or very low inflation, mainly due to seasonal factors. In previous years, the level of consumer prices in November fluctuated from -0.5% to 0.2%. However, in 2021, the largest price increase since 2007 has been observed. The sharp rise in prices continued to be driven by rising world prices for energy and food.

In November 2021, the largest upward effect provided the rise in prices for heat and electricity, which was mainly driven by rising prices for natural gas and rising consumption. The price of heat energy increased by 7.3% primarily due to the increase of the heat energy tariff of JSC "Rīgas siltums" from November 1, 2021. However, the price of electricity increased by 5%, which combined with the rise in prices for heat elevated the overall consumer price level by 0.4 percentage points.

In November 2021, the rise in food prices, which was the most rapid increase this month since 2007, significantly affected the overall consumer price level. Over the month, food prices rose by 1.5%, elevating the overall consumer price level by 0.4 percentage points. The largest upward effect yielded the rise in prices for bread and cereals, dairy products and eggs, and fresh vegetables. On the other hand, the largest downward effect provided the fall in meat prices. It should be noted that world food prices continued to rise in November, reaching their highest level since June 2011. In November 2021, compared to October 2021, world food prices rose by 1.2%. In particular, prices of cereals and dairy products rose more rapidly. Also, sugar prices increased moderately. However, prices of vegetable oils and meat decreased marginally. Wheat prices rose for the fifth consecutive month, reaching their highest level since May 2011, primarily driven by limited supply and strong demand, especially for higher quality wheat. Butter and milk powder prices also rose sharply for the third consecutive month, driven by depleted stocks and limited supplies from Western Europe and Oceania. Meanwhile, world meat prices fell for the fourth month in a row, as a result of falling pork prices due to lower Chinese purchases, especially from the European Union.

In November 2021, fuel prices continued to rise. In Latvia, fuel prices increased by 3.3% over the month, thus elevating the overall consumer price level by 0.2 percentage points. High fuel prices continue to be affected by the sharp rise in world oil prices. It should be noted that world oil prices, after a sharp rise in September and October, declined by an average of 3.5% during the month, with the price of Brent oil falling to USD 70 per barrel at the end of the month. The fall in oil prices was affected by concerns regarding the new Covid-19 variant and the negative impact of its spread on the global economic recovery.

In November 2021, prices for services increased by 0.2%, elevating the overall consumer price level by 0.1 percentage point. The largest upward effect provided the rise in prices for outpatient services, motor insurance, and maintenance and repair of personal transport equipment. However, the largest downward effect yielded the fall in prices of complex leisure services.



In November 2021, the largest downward effect due to sales provided the fall in prices for clothing and footwear by 1.8%, which reduced the overall consumer price level by 0.1 percentage point. It should be noted that the decline represented the sharpest fall in prices, with the exception of the sharp decrease in prices in 2020, which was affected by the imposed trade restrictions.

In November 2021, compared to the corresponding period last year, consumer prices increased by 7.5%. The average annual inflation was 2.6 percent.

In 2021, the average annual inflation will reach 3.3%. Price changes are anticipated to exceed the level of seasonal fluctuations in the coming months. Price fluctuations will continue to be strongly linked with rising world prices for energy and food, and their second-round effects on industrial goods and services prices must be anticipated.