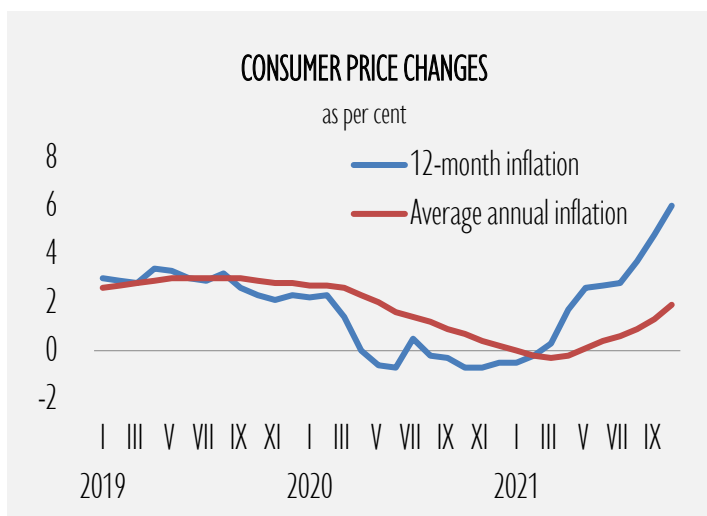


On Consumer Prices in October 2021

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

According to the Central Statistical Bureau (CSB), in October 2021, compared to September 2021, the consumer price level increased by 1.1%. For goods and services, it rose by 1.4% and 0.3%, respectively.

In October, prices are usually rising, mainly due to seasonal factors. In previous years, the consumer price level on average increased by 0.4-0.8%. However, in October 2021, the most rapid price increase since 2008 has been observed. The increase can primarily be attributed to rising energy prices.



In October 2021, the largest upward effect provided the rise in fuel prices. In Latvia, fuel prices increased by 8.9% over the month, thus elevating the overall consumer price level by 0.5 percentage points. High fuel prices continue to be affected by the sharp rise in world oil prices. After a slight decline in August-October, world oil prices rose sharply again. In October 2021, the average price of oil increased by 11.6% during the month. At the end of the month, the price of Brent oil reached the highest level since October 2014 - 86 USD per barrel. The rise in oil prices was driven by OPEC + 's decision not to change the planned modest increase in production due to continued limited oil supplies, despite high oil prices in recent months and rising demand.

In October 2021, electricity prices also continued to rise - by 4.9%, which increased the overall consumer price level by 0.2 percentage points. The increase in electricity prices was mainly driven by rising natural gas prices and higher consumption.

In October 2021, the rise in food prices had a large upward effect on the consumer price level. However, the rise in food prices was lower than typical for the month. Over the month, food prices rose by 0.6%, elevating the overall consumer price level by 0.2 percentage points. The largest upward effect provided the rise in prices for dairy products, eggs, fresh vegetables and bread. However, the largest downward effect yielded the fall in prices for pork and fresh fruit. It should be noted that world food prices continued to rise in October, reaching their highest level since July 2011. In October 2021, compared to September, world food prices rose by 3.9%, with prices rising in all major food groups. In recent months, growth has been driven mainly by rising global vegetable oil and cereal prices, mainly driven by reduced yields in major exporting countries and a sharp rise in import demand.

In October 2021, prices for services increased by 0.3%, elevating the overall consumer price level by 0.1 percentage points. The largest upward effect was observed in the prices of outpatient and catering services, maintenance and repair of personal transport equipment. However, the largest downward effect provided the decline in prices for accommodation, leisure, and cultural services.

In October 2021, the largest downward effect provided the month-on-month fall in clothing and footwear prices due to low demand and measures to curb the spread of Covid-19. The decline can primarily be attributed to a sharp 9% drop in footwear prices, representing the largest decline in footwear prices in October since 1998. Overall, prices for clothing and footwear decreased by 1.3%, reducing the overall consumer price level by 0.1 percentage point.

In October 2021, compared to October 2020, consumer prices rose by 6%. The average annual inflation was 1.9 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 determined by global price fluctuations.