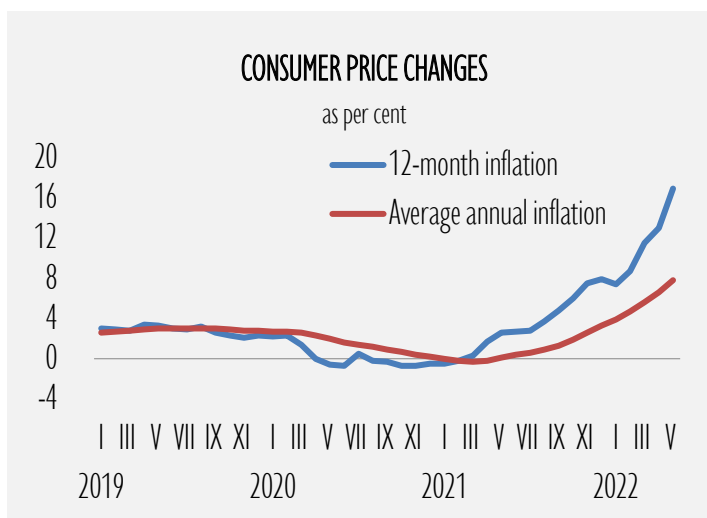


On Consumer Prices in May 2022

Consumer prices continue to rise very rapidly

According to the Central Statistical Bureau (CSB), in May 2022, compared to April, the consumer price level increased by 4%. It rose by 5% and 0.7% for goods and services, respectively.

Overall, in May, usually minor price fluctuations can be observed. However, in May 2022, the rise in prices was significantly higher, which was affected by the cessation of state support for electricity, heat, and natural gas from 1 May 2022. The rise in housing-related energy prices had the largest upward effect on the consumer price level. The price of electricity increased by 59.7%. Also, the price for natural gas and heat rose by 26.3% and 15.4%, respectively, which together with the rise in prices for solid fuels (by 12.1%) elevated the overall consumer price level by 3.2 percentage points.



In May 2022, food prices continued to rise, driven by soaring world prices and Russia's invasion of Ukraine. However, the rise in food prices was more moderate than in the previous three months. In Latvia, food prices increased by 1.9%, and the overall consumer price level rose by 0.5 percentage points. The largest contributions provided the rise in prices for meat, bread and cereals, dairy products and eggs, as well as the fall in prices for fresh vegetables, fresh fruit, and coffee. It should be noted that world food prices fell slightly for the second consecutive month; nevertheless, they remain elevated due to the war in Ukraine. In May 2022, world food prices declined by 0.6%. The fall in prices was driven by a sharper fall in vegetable oil and dairy prices, as well as a slight decline in sugar prices. Meanwhile, cereal and meat prices increases. The decline in prices was mainly driven by weaker global import demand due to high prices and the lifting of Indonesia's temporary ban on palm oil exports to normalize demand; however, the sharper decline in vegetable oil prices was constrained by persistent uncertainty regarding Indonesia's leading palm oil exporter. In May 2022, after rising for eight consecutive months, prices fell for all dairy products, mainly due to weaker import demand, as well as some improvements in supplies from Oceania and limited domestic trade in Europe. However, strong retail sales and strong demand from restaurants before the summer holidays in the northern hemisphere did not allow cheese prices to fall significantly. Meanwhile, in May 2022, world wheat prices rose 5.6%, further affected by the blockade of ports in Ukraine and India's decision to ban wheat exports.

In May 2022, fuel prices rose more rapidly than in April – i.e., by 4.8%, elevating the overall consumer price level by 0.3 percentage points. High fuel prices continue to be affected by rising global oil prices. After a slight decline in April, in May 2022, world oil prices rose again. Over the month, world oil prices rose by an average of 4.7%. In the first half of the month, Brent oil prices fell slightly, mainly due to concerns about weaker economic growth and the impact of rising interest rates and inflation on the economy, as well as Covid-19 restrictions in China and the EU failing to agree on a ban on Russian oil imports. In the second half of the month, oil prices rose sharply to a two-month high of \$ 120 a barrel at the end of the month, fuelled by news of an EU compromise agreement to impose an embargo on Russian oil products and strong US oil demand.

In May 2022, prices for services increased by 0.7%, thus elevating the overall consumer price level by 0.2 percentage points. The largest upward effects were observed in the prices of catering and food service activities, rents, and outpatient services.

In other groups of goods and services, price fluctuations did not significantly affect the overall consumer price level.

In May 2022, compared to May 2021, consumer prices increased by 16.9%. The average annual inflation was 7.8 percent.

Price developments are anticipated to continue to outpace seasonal fluctuations in the coming months. The main impact on price developments will continue to be related to rising world prices for energy and food, which will be largely affected by geopolitical tensions in the region due to Russia's aggression in Ukraine. Their second-round effects on the prices of industrial goods and services are also expected. In 2022, the average annual inflation is forecast to reach 15 percent.