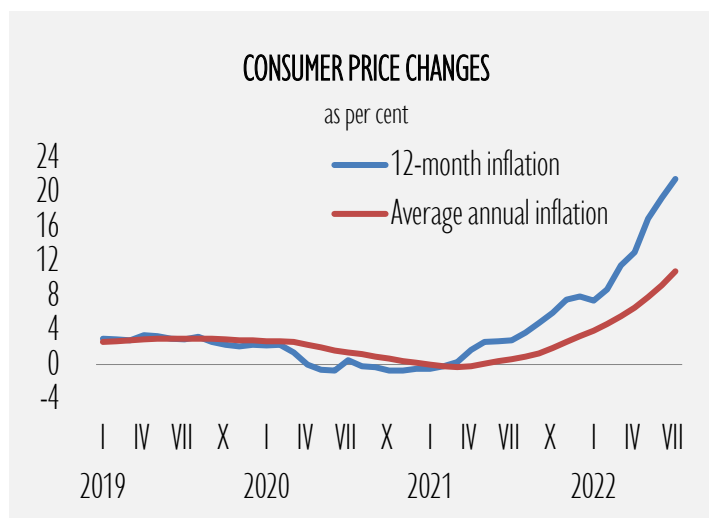


On Consumer Prices in July 2022

In July 2022, consumer prices continued to rise rapidly

According to the data of the Central Statistics Bureau (CSB), in July 2022, compared to June 2022, the level of consumer prices increased by 2.2%. It rose by 2.5% and 1.3% for good and services, respectively.

In July, the level of consumer prices tend to decline, influenced by seasonal factors. For the third consecutive year, a price increase has been observed in July. In 2022, the most rapid price increase was observed in this month since the beginning of the 1990s. As in the previous year, this year's July inflation was mainly affected by the rise in prices of energy resources related to housing, which was determined by the rapid rise in world prices.



The largest positive effect in July yielded the price increase for natural gas. In connection with the natural gas tariff increase from July 1, 2022, natural gas prices increased by 74.8%. Prices also increased more rapidly for solid fuel (by 15.5%) and continued to increase for electricity (by 10.7%), and thermal energy (by 5.3%), which, together with the rise in prices for natural gas, increased the total level of consumer prices by 1.5 percentage points.

Food prices continued to rise in July, affected by high global food prices and Russia's invasion of Ukraine. However, the increase in food prices in July was more moderate than in the previous months of this year. In Latvia, the prices of food products increased by 1.7%, and the overall level of consumer price level rose by 0.4 percentage points. The largest impact provided price increases for bread and cereals, meat, dairy products and coffee, as well as price decline for fresh vegetables and fresh fruit. It should be noted that the prices of food products in the world are declining for the fourth consecutive month. In July, world food prices decreased very rapidly - by 8.6%, which was the most rapid decrease in the value of the index in a month since October 2008; however, compared to July of the previous year, prices rose by 13.1%. The sharp drop in prices in July was caused by a significant drop in the prices of vegetable oil and cereals, while the prices of sugar, dairy products, and meat fell more moderately. The price index for vegetable oils hit a 10-month low, mainly supported by more moderate global import demand and lower oil prices, as well as the prospect of ample export availability from Indonesia, the world's leading palm oil exporter. On the other hand, the sharp drop in world grain prices in July was mainly influenced by the agreement reached by Ukraine and Russia on the unblocking of Ukraine's main Black Sea ports, which indicates the resumption of grain exports from Ukraine. Prices were also influenced by seasonal availability due to the current harvest in the Northern Hemisphere. However, world wheat prices were still 25% higher than last July.

Prices for services increased by 1.3%, elevating the overall level of consumer prices by 0.3 percentage points. The largest positive effect was observed in price increases for passenger transport, catering, and accommodation services, complex leisure services, and waste collection.

In July 2022, the largest negative effect provided seasonal discounts, contributing to a 6% decline in clothing and footwear prices, which reduced the overall consumer price level by 0.3 percentage points.

July was the first month this year when a drop in fuel prices was observed in Latvia. In July 2022, fuel prices decreased by 3.9%, and the overall level of consumer prices declined by 0.3 percentage points. However, the price of fuel remained high due to high global oil prices. After rising in June, world oil prices fell in July - by 10% on average during the month. Brent oil fell to \$99 a barrel in the first half

of the month, the lowest price since April, driven mainly by concerns over falling oil demand amid a possible economic recession following central bank decisions to raise interest rates to fight rising inflation, as well as the OPEC+ decision to continue increasing oil production in August and July. However, the price of oil increased in the second half of the month, rising to \$110 per barrel at the end of the month, affected by oil supply risks, as the visit of the US president to the Middle East ended without promises to increase oil production, as well as unexpectedly good data on growth in the Eurozone in the 2nd quarter of this year. It should be noted that at the beginning of August, a sharp drop in oil prices was observed again, and analysts have predicted that, as the recession in the world economy widens, the price of Brent oil could drop to \$65 per barrel this year.

In July 2022, compared to July of the previous year, consumer prices increased by 21.5%. The annual average inflation was 10.8 percent.

It is anticipated that price changes will continue to exceed the level of seasonal fluctuations in the coming months. It should also be noted the downstream effect of the rise in energy prices on the prices of industrial goods and services is forecast. It is expected that in 2022, overall average annual inflation could reach 16 percent. At the end of 2022 and in 2023, as the situation gradually stabilizes, inflation rates will begin to decline.