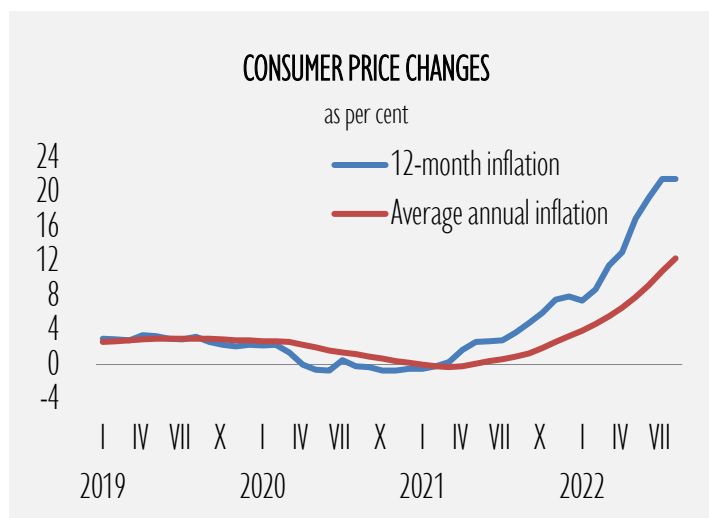


On Consumer Prices in August 2022

Consumer price growth stabilized

According to the data of the Central Statistical Bureau (CSB), in August 2022, compared to July, the level of consumer prices increased by 0.4%. It increased by 0.3% and 0.6% for goods and services, respectively.

The month of August is characterized by a decline in prices due to seasonal factors. Nevertheless, in August 2022, for the second consecutive year, an increase in prices was observed. In August 2022, the increase in prices was mainly driven by the rise in prices for electricity and an unusual increase in prices for food products.



In August 2022, the largest positive effect was observed for the increase in prices for energy resources related to housing. The most rapid price increase was observed for electricity - by 17.5%, which was affected by the rise in natural gas prices in the world, the unfavourable weather conditions for electricity production in Europe, and the capacity limitations of the cross sections of the electricity transmission system between Estonia and Latvia due to repairs, which consequently sharply increased the price of electricity on the stock exchange. The price also increased for thermal energy (by 3.7%) and for solid fuel (by 3.2%). On the other hand, the price drop for natural gas by 19.6% in August had a negative effect, which was determined by the implemented measures to reduce the increase in the prices of energy resources within the framework of state support, which will be valid from July 1, 2022 to April 30, 2023. The rise in prices for housing-related energy resources increased the overall level of consumer prices by 0.6 percentage points.

Food prices continued to rise in August. However, price increases are becoming more moderate in recent months. In Latvia, the prices of food products increased by 0.9%, and the overall level of consumer prices rose by 0.2 percentage points. The largest impact provided the increase in prices for bread and cereals, dairy products, fresh fruit, sugar and other sweets, as well as the decrease in prices for fresh vegetables and potatoes. It should be noted that the prices of food products in the world are decreasing for the fifth consecutive month. In August 2022, on average, during the month, world food prices decreased more moderately than in July - by 1.9%; however, compared to August 2021, prices increased by 7.9%. Prices fell moderately in all major food groups. The sharpest price declines were observed for vegetable oils and sugar, with both price indices falling below their previous year's levels. Vegetable oil price declines continued to be driven mainly by increased export availability from Indonesia and output in Southeast Asia, as well as resumption of deliveries from Ukrainian seaports, while sugar's August price decline was mainly driven by increased exports in India and lower ethanol prices in Brazil, which raised expectations of higher cane use for sugar in production. Dairy prices fell for the second consecutive month; nevertheless, they were still 23.5% higher than a year ago. Prices fell for butter and milk powder due to more moderate global import demand and expectations of increased supplies from New Zealand in the new production season, while cheese prices rose for a tenth consecutive month on solid import demand and strong domestic sales, particularly in European tourist destinations. Meat prices also decreased for the second month in a row; however, they were 8.2% higher than a year ago. The drop in meat prices in August was due to weaker demand and slightly increased global export opportunities. In August 2022, the most moderate drop in prices was for cereals, which continued to be affected by seasonal availability and the unblocking of Black Sea ports in Ukraine. However, world wheat prices were still 11% higher, compared to August 2021.

In August 2022, prices for services increased by 0.6%, which increased the overall level of consumer prices by 0.2 percentage points. The largest positive effect was observed in price increases for catering services, leisure and cultural services, and outpatient services.

In August 2022, the largest negative effect provided the drop in fuel prices, which was observed in Latvia for the second consecutive month. In August, fuel prices decreased more rapidly than in July - by 6.8%, and the overall level of consumer prices decreased by 0.5 percentage points. However, the price of fuel still remains elevated, which is influenced by the high world oil prices. Nevertheless, it should be noted that since the middle of June, the world oil prices have been decreasing - in July 2022, fuel prices decreased by 10% on average during the month (in August - by 7.4%). Also, in the middle of August even the price of Brent oil fell to \$92 a barrel, the lowest price since April, driven mainly by worries about falling oil demand amid a possible economic recession following central bank decisions to raise interest rates to combat rising inflation, as well as hopes of reviving the Iran nuclear deal, which would boost Iran's the return of oil to the markets, and the increase in oil production in Libya. World oil prices continue to decline in the first weeks of September, reaching \$88 per barrel, the lowest level in the last seven months.

In August 2022, compared to August of the previous year, consumer prices increased by 21.5%. The annual average inflation was 12.3 percent.

It is anticipated that in the coming months, price changes will continue to exceed the level of seasonal fluctuations; however, the price increase might not be as rapid as it was observed in previous months. It is expected that in 2022, the average annual inflation could reach 16.5 percent. At the end of 2022 - in 2023, as the situation gradually stabilizes, inflation rates will begin to decline.