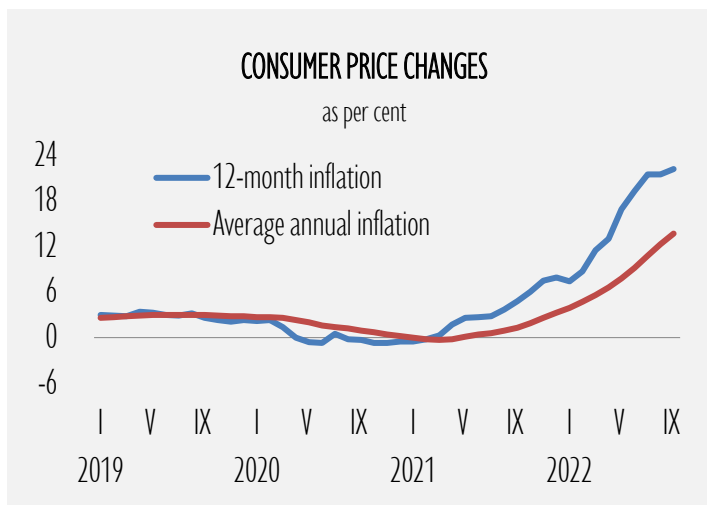


On Consumer Prices in September 2022

Consumer prices increased more rapidly in September 2022

According to the data of the Central Statistical Bureau (CSB), in September, compared to August 2022, the level of consumer prices increased by 1.6%. It rose by 1.8% and 0.8% for goods and services, respectively.

In September 2022, the most rapid price changes since 2007 have been observed. September is characterized by a price increase, which is usually determined by a rise in the price of clothes and shoes in connection with the sale of new seasonal goods. However, in 2022, the largest impact yielded the increase in the prices of housing-related energy resources and food.



A rapid price increase was observed for thermal energy - by 9.2%. Despite the abolition of the mandatory procurement component (MPC), the price of electricity increased by 1.8%, which was affected by the increase in electricity prices from September 1 for JSC "Latvenergo" customers who use fixed-tariff payments. The price of solid fuel also increased - by 3.3%, which, combined with the price increase for thermal energy and electricity, increased the overall level of consumer prices by 0.5 percentage points.

In September 2022, the price increase for food was more rapid than in the previous two months - the prices of food products increased by 2% and the overall level of consumer prices increased by 0.5 percentage points. The largest impact provided the rise in prices of meat, dairy products, bread and coffee, as well as the fall in prices of fresh vegetables and potatoes. It should be noted that the prices of food products in the world are declining for the sixth consecutive month. In September 2022, world food prices in a month decreased by 1.1%. However, compared to September 2021, they were 5.5% higher. Prices fell in all major food groups except cereals. Rising uncertainty over the continuation of Black Sea grain exports from Ukraine after November and concerns over dry conditions in Argentina and the US, as well as a brisk pace of exports from the EU on top of the bloc's stronger domestic demand for wheat, boosted cereal prices. World cereal prices were still 11% higher than last September. The sharpest price drop was observed for vegetable oils, with their price index falling to the lowest level since February 2021. The decline in vegetable oil prices was mainly driven by high inventories, seasonally increasing production volumes in Southeast Asia and increased exports from the Black Sea region, as well as lower crude oil prices. Dairy products, sugar, and meat showed very moderate declines.

In September 2022, the prices of clothes and shoes rose by 4.8% in connection with the new sales of autumn seasonal goods, which elevated the overall consumer price level by 0.25 percentage points.

In September 2022, prices for services increased by 0.8%, increasing the overall consumer price level by 0.2 percentage points. The largest positive effect was observed in price increases for pre-school education, leisure and cultural services, catering and telecommunication services.

Also, a significant price increase for personal hygiene products and beauty care products was observed. It rose by 4.7%, elevating the overall consumer price level by 0.1 percentage points.

In September 2022, the largest negative effect provided the drop in fuel prices, which was observed in Latvia for the third consecutive month. In September 2022, fuel prices decreased more moderately than in July and August - by 2.1%, and the overall consumer price level declined by 0.1 percentage points. However, the price of fuel still remains high, which is influenced by high world oil prices. Nevertheless, it should be noted that since mid-June 2022, world oil prices have been declining. They

fell by an average of 7.3% over the month in September, with Brent even falling to \$82 a barrel in mid-September, the lowest price since January, driven mainly by a strong US dollar and concerns about falling oil demand amid a possible economic recession. However, global oil prices rose in October following OPEC+'s agreement to sharply cut oil production from November to curb a fall in prices caused by concerns over falling demand for crude oil.

In September 2022, compared to September 2021, consumer prices increased by 22.2%. The annual average inflation was 13.7 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 forecast that in 2022, the average annual inflation could reach 16.5%. At the end of 2022 and the beginning of 2023, inflation rates should start to decline.