

## On Consumer Prices in May 2024

**In May, seasonal monthly price changes can be observed**

According to data from the Central Statistical Bureau (CSB), in May 2024, consumer prices increased by 0.3% compared to April. Prices for goods rose by 0.1%, while prices for services increased by 0.7%.

Typically, May experiences a slight increase or decrease in prices. This year, the price changes observed in May are consistent with the usual trend for the month.

The most significant contributor to the price increase in May was the rise in service prices, which grew by 0.7%, adding 0.2 percentage points to the overall consumer price level. Within the services sector, accommodation services saw the largest price increase due to the start of the holiday season and warm weather. Other significant factors included higher prices for international flights, housing management fees, and vehicle maintenance and repair. Conversely, the largest reducing effect came from a drop in prices for complex leisure services, such as overseas travel organized by travel agencies.

The conclusion of promotional periods led to a significant price increase in personal hygiene and beauty care products by 9.4%, contributing an additional 0.2 percentage points to the overall consumer price level.

The 1.3% increase in prices for alcoholic beverages and tobacco products also had an upward effect in May, contributing 0.1 percentage points to the overall consumer price level. The rise in prices was most notable for cigarettes and spirits.

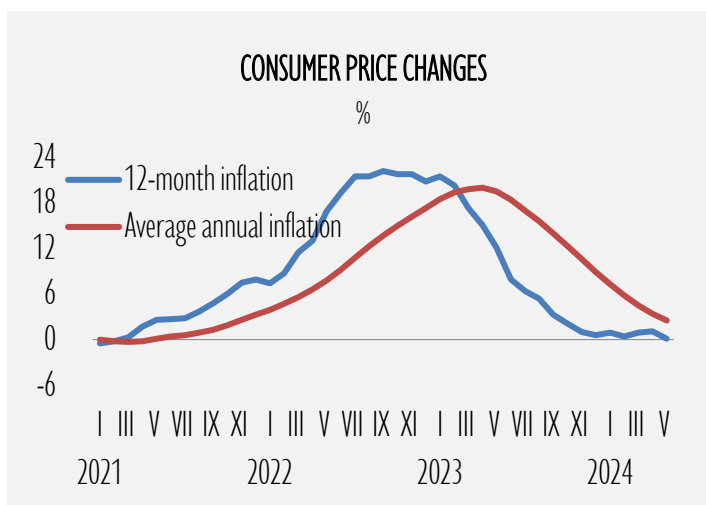
The end of promotions also led to an 8.7% increase in the prices of cleaning and care products, contributing an additional 0.1 percentage points to the overall consumer price level.

Food prices saw an unusually low increase in May, rising by only 0.1%, which did not significantly impact the overall consumer price level. Seasonal factors led to higher prices for potatoes and fish, while fresh vegetables saw a decrease in prices.

Globally, food prices increased for the third consecutive month in May, rising by an average of 0.9% during the month, though they fell by 3.4% compared to May 2023. The price indices for cereals and dairy products saw slight increases, offsetting decreases in sugar and vegetable oil prices. The meat price index remained nearly unchanged. The most rapid price increase in May was for cereals, with wheat prices rising the most due to concerns about unfavorable crop conditions in parts of Europe, North America, and the Black Sea region. However, overall world grain prices were 8.2% lower than in May of the previous year.

After a modest decline in April, the dairy price index rose again in May, with increases across all dairy products. This was driven by higher demand ahead of the summer holidays in Western Europe, renewed import demand in the Middle East and North Africa, concerns about milk production in Western Europe, and seasonally declining milk production in Oceania. The meat price index remained largely stable in May, with poultry and beef prices falling due to decreased demand and increased export supplies, while pork and sheep prices rose due to increased demand.

The sugar price index experienced its sharpest decline for the third consecutive month, reaching its lowest level since January 2023. This drop was mainly attributed to a strong start to the new crop in Brazil and lower crude oil prices. The decrease in the vegetable oil price index in May was driven by a



drop in palm oil prices, influenced by weak demand and increased production in the largest producing countries in Southeast Asia.

In May, prices for energy resources related to housing continued to decline, having the largest reducing effect on the overall consumer price level, which fell by 0.3 percentage points. The most significant drop was in natural gas prices, which fell by 16.2%, influenced by a reduction in natural gas prices for the next trading period for services provided to households at a fixed price. Prices also decreased for thermal energy by 2.1% and solid fuel by 1.8%. Conversely, electricity prices saw a very modest increase of 0.3%.

Following four months of increases, fuel prices fell by 1.1% in May, contributing to a 0.1 percentage point reduction in the overall consumer price level. Diesel fuel prices decreased, while gasoline prices remained largely unchanged.

World oil prices also declined in May after four consecutive months of increases, averaging a 6% drop for the month. At the beginning of May, Brent oil prices fell to \$83 per barrel and remained between \$82 and \$84 per barrel throughout the month. This decline was mainly due to uncertainty regarding the outlook for oil demand. Concerns that the US Federal Reserve might maintain high interest rates, potentially slowing economic growth and reducing oil demand, weighed on prices. Additionally, OPEC+ indicated that it might extend its voluntary output cuts beyond June if oil demand does not recover.

In May 2024, consumer prices increased by 0.1% compared to May of the previous year, with an annual average inflation rate of 2.5%.

Looking ahead, price changes will continue to be influenced by fluctuations in global energy and food prices, as well as by global developments. In Latvia, inflation is also affected by various supply-side factors related to tax and tariff revisions, and demand-side factors driven by wage increases. Overall, the average annual inflation rate for 2024 is expected to be between 1% and 1.5%.