

## On Consumer Prices in February 2024

**Seasonal monthly price changes are observed in February**

According to data from the Central Statistical Bureau (CSB), in February 2024, the level of consumer prices increased by 0.1% compared to January. Prices for goods decreased by 0.1%, while prices for services rose by 0.5%.

February typically experiences very modest price changes, a trend that continued this year following a more pronounced rise in the previous three years.

The most significant increase in February was observed in fuel prices. After a moderate rise in January, fuel prices surged by 5% in February, contributing 0.3 percentage points to the overall level of consumer prices. Both diesel and gasoline saw similar price increases.

World oil prices continued to climb for the second consecutive month, rising by an average of 3% in February. Oil prices initially fell to \$77 per barrel at the beginning of the month but then increased sharply to \$82-83 per barrel, maintaining that level for most of the month. The rise in oil prices was driven by concerns that OPEC+ might extend supply cuts, uncertainties regarding a ceasefire between Israel and Hamas, and ongoing attacks by Yemen's Houthis on shipping in the Red Sea.

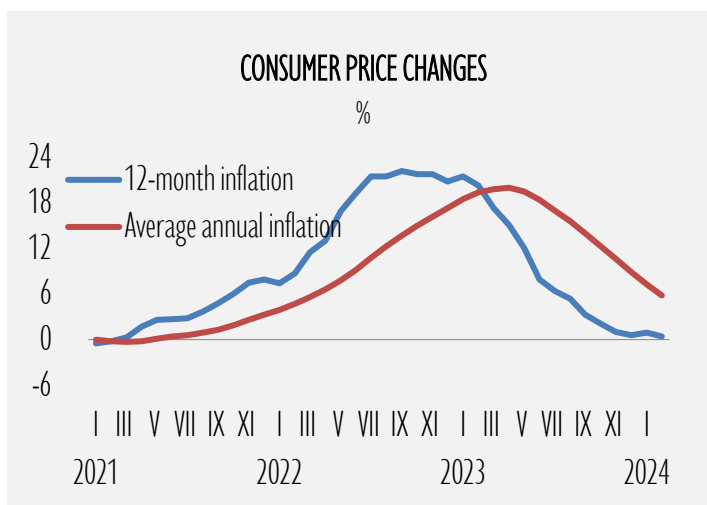
The increase in service prices also had a notable impact in February, rising by 0.5% on average and adding 0.1 percentage points to the overall price level. Significant contributors to this increase included higher costs for recreational and cultural services, driven by increased television subscription fees and complex telecommunications services. Rising prices for complex leisure services and transportation, particularly international flights, also contributed. Conversely, the biggest decrease came from a drop in prices for pre-school education.

Housing-related energy costs had the largest reducing effect in February, lowering the overall level of consumer prices by 0.2 percentage points. This was primarily due to a 4.1% decrease in electricity prices, attributed to lower prices on the exchange, reduced tariffs linked to electricity exchange rates, and favorable weather conditions in Europe—warmer than usual temperatures, high hydro and wind energy production, and a decline in natural gas prices. There was also a slight decrease in thermal energy prices by 0.3%, while solid fuel prices rose by 0.7%.

A 3.5% drop in prices for personal hygiene and beauty care products, along with a 1.2% decrease in clothing and footwear prices due to ongoing seasonal sales, collectively reduced the overall level of consumer prices by 0.14 percentage points.

Food prices traditionally increase seasonally in February, but this year, they fell by 0.2%, marking the sharpest decline for this month since 2013 and reducing the overall level of consumer prices by 0.1 percentage points. The largest decreases were in bread and cereals, dairy products, and coffee, while the most significant increases were in vegetables, eggs, and meat.

It should be noted that global food prices continued to decrease. Since January, they have fallen by 0.7%, and since February 2023, there has been a decline of 10.5%. In January, the decrease in the price indices for cereals and vegetable oils more than offset the increase in the price indices for sugar, meat, and milk. The sharpest price drop in February was in cereals, due to strong competition among exporters and increased seasonal supplies from southern hemisphere countries. The decline in wheat prices was also influenced by a significant increase in export volumes from the Russian Federation,



which exerted downward pressure on prices in other countries, especially the European Union. Overall, global grain prices were 22.4% lower than in February of the previous year.

Reflecting continued ample export supplies, the vegetable oil price index decreased for all major types except palm oil. The rise in palm oil prices was driven by seasonally lower production in Southeast Asia. On the other hand, the sugar price index saw the most significant increase in February, primarily due to concerns about the sugarcane harvest in Brazil, influenced by low rainfall and unfavorable production prospects in Thailand and India. However, improved rainfall in Brazil at the end of February and a weakening of the Brazilian real against the US dollar limited further gains in sugar prices. It should be noted that sugar prices remained 12.5% higher than in February of the previous year.

The meat price index rose in February after falling for the previous seven months. Prices increased for all types of meat except mutton. This increase was mainly due to higher demand from leading importing countries and lower-than-expected supplies from major producing countries. Meanwhile, the rise in the price index for all major types of dairy products was driven by growing import demand from Asian buyers, although this was partially offset by a decrease in prices in the European Union.

In February 2024, compared to February 2023, consumer prices increased by 0.4%. The annual average inflation rate was 5.8%.

Looking ahead, price changes will continue to be influenced by fluctuations in global energy and food prices, as well as global developments. In Latvia, inflation will also be affected by various supply-side factors related to tax and tariff reviews, as well as demand-side factors, such as wage increases. Overall, the average annual inflation for 2024 is expected to be around 2%.