

On Consumer Prices in August 2024

Monthly-characteristic price changes are observed in August 2024

According to the Central Statistical Bureau, in August 2024, compared to July, the consumer price level decreased by 0.5%. For goods, it decreased by 0.9%, while for services, it increased by 0.4%.

August is typically characterized by a seasonal decline in prices, which was observed this year as well.

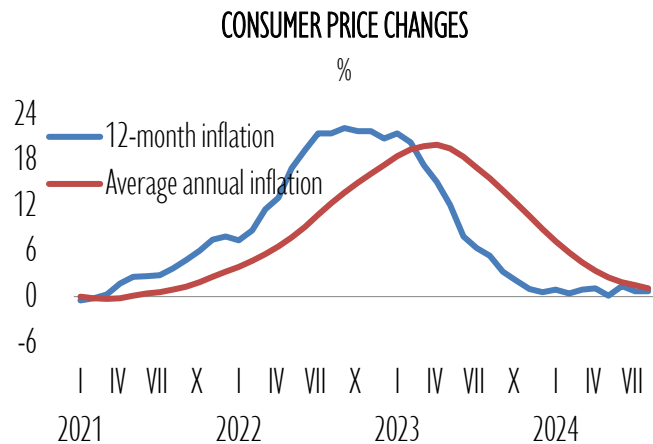
The largest downward impact in August was the 3.9% decrease in fuel prices, which reduced the overall consumer price level by 0.25 percentage points. Prices fell similarly for both diesel and gasoline, though the decrease in diesel prices had a greater impact. The average monthly price of Brent oil in August also declined by 6% compared to July, and by the end of August, it had decreased by 2%. This was driven primarily by concerns over a potential slowdown in China's economy, which could miss growth targets, thereby reducing oil demand in Asia. However, a sharper decline in oil prices was mitigated by worries about tight oil supplies, influenced by Iraq's plans to cut output in September to compensate for exceeding its OPEC+ quota, Libya's terminal shutdowns that halved its oil output, and escalating tensions in the Middle East.

As is typical for August, food prices also declined, falling by 0.8%, which reduced the overall price level by 0.2 percentage points. Seasonal factors contributed to significant drops in the prices of fresh vegetables and potatoes. There were also notable declines in the prices of sugar, cheese and cottage cheese, fresh fruit, and eggs. However, prices increased for bread and cereals, other dairy products, and dried, salted, or smoked meat. Globally, after slight increases in March-June, food prices fell for the second consecutive month in August by 0.3%, and over the year (compared to August 2023), they declined by 1.1%. The decrease in global sugar, meat, and cereal price indices outweighed the rise in vegetable oil and dairy product prices. The sugar price index dropped sharply, reaching its lowest level since October 2022, driven by improved harvest prospects in Thailand and India and lower crude oil prices. Pork and mutton prices fell due to weak demand, while beef prices rose slightly due to reduced supplies from Oceania. Wheat prices declined due to weak demand and strong competition among exporters, particularly from increased, competitively priced supplies from the Black Sea region. In contrast, maize prices rose slightly amid concerns about heatwave impacts on EU and US harvests. Dairy prices showed the sharpest increase, with whole milk powder prices rising the most due to increased demand for immediate deliveries and tight stocks in major producing regions. Vegetable oil prices rose for the third consecutive month, reaching their highest level since January 2023, largely driven by higher palm oil prices due to lower-than-expected output in Indonesia.

Personal care and beauty product prices also saw a significant decline of 5.3%, reducing the overall price level by 0.1 percentage point.

In the clothing and footwear group, prices continued to decrease, driven by summer season shoe sales. Footwear prices fell by 5.4%, reducing the overall consumer price level by another 0.1 percentage point.

The largest upward impact in August came from the 0.4% increase in service prices, which added 0.1 percentage point to the overall consumer price level and marked the ninth consecutive month of rising service prices. The most significant increases were in accommodation services and participation



in recreational and sports events, partly influenced by the Olympic hockey qualification tournament held in Riga at the end of August. Prices also rose for passenger transport by sea and road, while passenger air transport prices decreased significantly.

A small upward impact also came from the increase in housing-related energy resource prices, which together raised the overall consumer price level by 0.05 percentage points. Electricity prices increased by 0.6% due to higher stock exchange prices. The prices of thermal energy and solid fuel rose by 0.3% and 0.5%, respectively, while natural gas prices remained unchanged.

In August 2024, compared to August of the previous year, consumer prices increased by 0.7%. The average annual inflation was 1.1%.

The main impact on price changes will continue to be related to fluctuations in energy and food prices in the world, as well as global developments. At the same time, inflation in Latvia is affected by various supply-side factors related to the revision of taxes and tariffs, as well as the demand side, which is driven by wage growth. Overall, the average annual inflation in 2024 is expected to be within 1-1.5%.