

On Consumer Prices in February 2025

Price growth in February more rapid than typical for this month

According to the Central Statistical Bureau, in February 2025, compared to January, the consumer price level increased by 0.8%. It rose by 0.8% for goods and by 0.7% for services.

Traditionally, February is characterized by very moderate price changes, but this year's increase was the fastest since 2022, when prices rose by 1.6% due to rapidly increasing food and energy prices. Before 2022, a faster price rise in February was observed only in 2009.

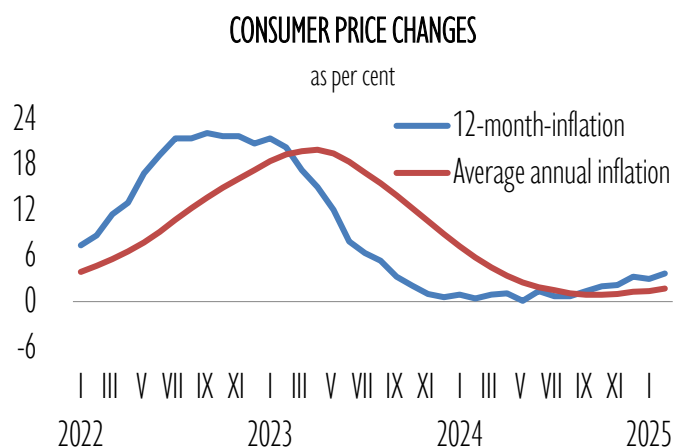
The largest contributing factor to the price increase in February this year was the rise in food prices by 0.9%, which pushed up the overall consumer price level by 0.2 percentage points. Food prices in February typically show a seasonal increase. The most significant upward impact came from rising prices for fresh vegetables, bread, and coffee, while the most notable downward impact came from falling prices for dried, salted, and smoked meats, as well as dairy products.

Global food prices increased in February after declining in the previous two months—rising by 1.6% on a monthly basis and by 8.2% compared to February 2024. While the meat price index remained stable, all other indices rose, with the sharpest increases seen in sugar, dairy products, and vegetable oils. The sharp rise in sugar prices in February, following three months of decline, was driven by concerns over a potential reduction in global sugar supply for the 2024/25 season. This was fueled by worries about a lower harvest in India, the impact of drought in Brazil, and the appreciation of the Brazilian real, which affected exports. Dairy product prices also rose sharply across all major categories due to declining milk production in Oceania and strong demand. The vegetable oil price index increased for all major vegetable oils. Palm oil prices rebounded after a January decline, supported by lower production in Southeast Asia and increased demand from Indonesia's biodiesel sector. Soybean oil prices rose due to strong demand, while rapeseed and sunflower oil prices increased amid concerns about possible supply reductions. The rise in grain prices was more moderate in February. Wheat prices climbed due to limited exports from Russia and concerns about adverse harvest conditions in Europe, Russia, and the United States. Meanwhile, meat prices remained largely unchanged. Poultry prices continued to decline as Brazilian exports boosted global supply despite bird flu outbreaks in other countries, and pork prices dropped in the European Union. In contrast, beef and sheepmeat prices rose due to strong demand.

In February, service prices increased by an average of 0.7%, raising the overall price level by 0.2 percentage points. Within the service sector, the most significant upward impact came from price increases in housing-related services, including housing management and rent. Significant contributions also came from rising prices for transport services, driven by more expensive international flights, as well as higher costs for social protection (such as nursing home fees) and pre-school education.

In February, fuel prices continued to rise, though at a slower pace than in the previous two months—by 1.8%, which contributed 0.1 percentage points to the overall consumer price increase. Gasoline prices rose at a faster rate than other fuel types.

The average monthly price of Brent crude oil in February decreased by 4.2% compared to January. By the end of February, compared to the end of January, Brent oil prices had fallen by 4.7%, marking the steepest monthly decline since September 2024. Throughout the month, prices gradually declined to around \$73 per barrel, with minor fluctuations, as concerns over the US economy and broader market uncertainties weighed on energy demand forecasts. Hopes for progress in Ukraine peace talks



also contributed to the price drop. Markets remained cautious regarding the additional tariffs imposed by the US president on China, the world's largest crude oil importer. Meanwhile, supply risks re-emerged, limiting the extent of the price decline. The US president revoked Chevron's license to operate in Venezuela and imposed new sanctions on Iran earlier this month, both of which could reduce global oil supply. He also approved tariffs on Mexico and Canada, including a 10% levy on Canadian energy imports, set to take effect on March 4. At the same time, OPEC+ is evaluating whether to proceed with its planned oil production increase in April or maintain current levels while carefully assessing the global supply outlook.

A significant impact in February was the increase in prices for energy resources related to housing, which together contributed 0.1 percentage points to the overall consumer price level. The largest impact was the 3.6% increase in electricity prices, driven by a rise in its price on the exchange and a reduction in tariffs tied to electricity exchange prices. This was mainly influenced by colder and less windy weather in the first half of February, as well as the disconnection of the Baltic States from the Russian power grid and their connection to the European grid on February 8-9, which reduced the available transmission capacity. As a result, energy flows to the Baltics fell by 8%. Meanwhile, natural gas prices remained unchanged, but prices for thermal energy decreased by 0.7% and for solid fuels by 1.1%.

Another significant price increase in February was for tobacco products. On February 1, retailers conducted an inventory of tobacco products in connection with the excise duty increase on several tobacco items that took effect on January 1, 2025. Tobacco product prices rose by 4.3%, which increased the overall consumer price level by 0.1 percentage points. In contrast, prices for alcoholic beverages remained unchanged.

The largest decreasing impact in February, as winter seasonal sales continued, was the 1.0% fall in prices for clothing and footwear, which reduced the overall consumer price level by 0.1 percentage points.

In February 2025, compared to February of the previous year, consumer prices increased by 3.7%. The average annual inflation was 1.7%.

Looking ahead, price fluctuations on the global stage will continue to significantly impact price changes, along with global developments, particularly the geopolitical situation. Additionally, new tax changes in Latvia will have a major influence, both on the supply side due to the increase in taxes and tariffs, and on the demand side with higher post-tax wages, which will boost the purchasing power of the population. In 2025, the overall average annual inflation is expected to be higher than that observed in 2024—around 2.5-3%.