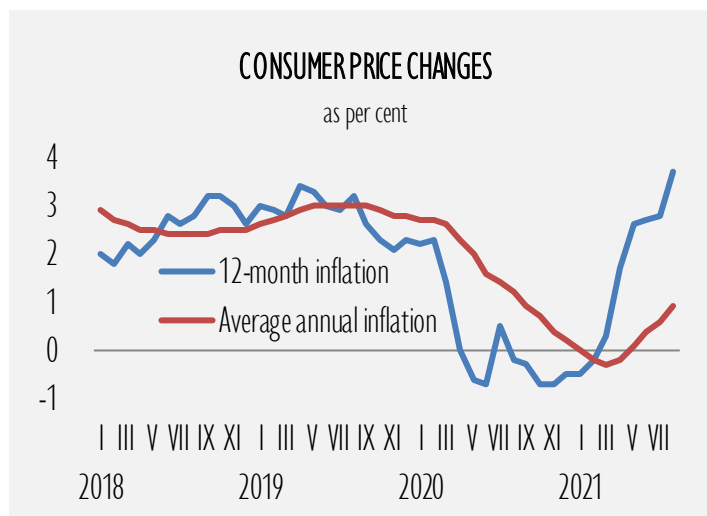


## On Consumer Prices in August 2021

**In August, uncharacteristic monthly price increases were observed**

According to the Central Statistical Bureau (CSB), in August 2021, compared to July 2021, the consumer price level increased by 0.4%. It increased by 0.3% and 0.5% for goods and services, respectively.

In August, a decline in prices due to seasonal factors is commonly observed. However, in August 2021, the price level increased, primarily driven by rising energy prices and a slower decline in food prices than characteristic for the month. Formerly, the rise in prices in August was observed only in the early 1990s, in 1997, 2007, and 2019.



In August 2021, the largest upward effect yielded the rise in prices for electricity and heat. The price of electricity increased by 4.6%, while the price of heat rose by 3.2%, which was determined by the sharp rise in the price of natural gas due to the rise in world oil prices. It is anticipated that in September the rise in prices for heat energy will endure, as the increase of the heat energy tariff has been announced by JSC "Rīgas siltums" from September 1, 2021. The rise in prices for electricity and heat jointly increased the overall consumer price level by 0.3 percentage points.

In August 2021, the increase in prices for services by 0.5% had a large upward effect, elevating the overall consumer price level by 0.1 percentage point. The largest impact was observed in the rise in prices for housing rent, leisure and cultural services, catering and accommodation services, and maintenance and repair of personal transport equipment.

With the emergence of new autumn season goods in trade, in August 2021, prices for clothing rose by 1.7%, thus increasing the overall consumer price level by 0.1 percentage point.

In August 2021, a slight increase in fuel prices was observed - by 0.6%, which did not significantly alter the overall consumer price level. The rise in fuel prices continues to be driven by the sharp rise in world oil prices observed in recent months. However, in August 2021, world oil prices fell by an average of 5.1% over the month. The fall in oil prices was driven by concerns regarding declining demand as the Covid-19 delta variant became more widespread worldwide.

In August 2021, the largest downward effect yielded the fall in food prices. Nevertheless, it represented the lowest fall this month in recent years. In August, food prices declined by 0.3%, thus depressing the overall consumer price level by 0.1 percentage point. The largest negative effect due to seasonal factors yielded the fall in prices for fresh vegetables and potatoes, while the largest upward effect provided the rise in prices for fresh fruit. It should be noted that world food prices in August rose sharply after falling in the previous two months. In August 2021, compared to July 2021, world food prices increased by 3.1%. Prices rose in all major food groups except dairy products. Sugar prices rose the most, continued to be affected by lower export opportunities from Brazil due to frost and drought. However, even higher sugar prices were hampered by falling oil prices, a Brazilian real weakening against the USD and good yield prospects in the EU and India. Dairy prices, on the other hand, fell for the third consecutive month. In August 2021, it can primarily be attributed to falling prices for milk powder due to weak global import demand and growing exports from Oceania.

Also, the fall in prices for household appliances-related goods increased by 1.3%, reducing the overall consumer price level by 0.1 percentage point. In other groups of goods and services, price fluctuations last month did not significantly affect the overall price level.

In August 2021, compared to August 2020, consumer prices increased by 3.7%. The average annual inflation was 0.9 percent.

In 2021, the average annual inflation could be around 2.5%, which will exceed the level of 2020. As the pandemic recedes and the economy recovers, consumer prices will stabilize. At the same time, it will still be determined by world price fluctuations.