

On Consumer Prices in February 2022

In February 2022, price increase has been more significant than characteristic for the month

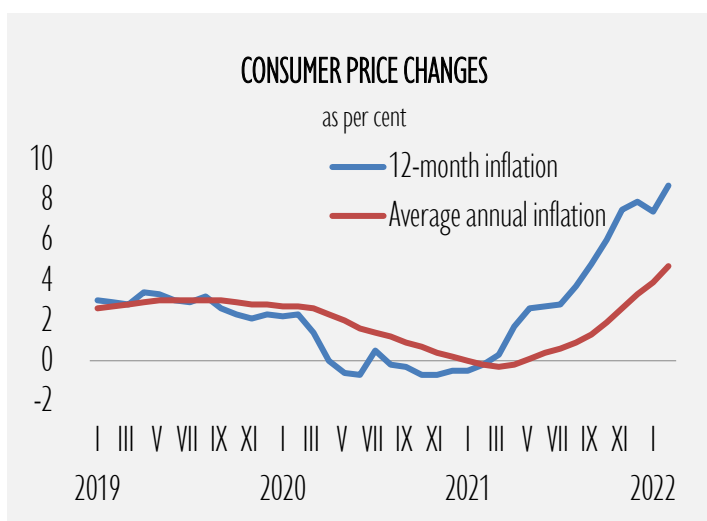
According to the Central Statistical Bureau (CSB), in February 2022, compared to January, the consumer price level increased by 1.6%. It rose by 2% and 0.6% for goods and services, respectively.

In recent years, February has been characterized by moderate price changes; however, in February 2022, prices have risen markedly.

In February 2022, the sharp rise in prices was driven by rising food prices, which also had the largest upward effect on the overall consumer price level. This was due to the already rapidly rising world prices. In Latvia, food prices increased by 3.5% and the overall consumer price level rose by 0.9 percentage points. Food has traditionally seen a seasonal increase in prices in February; however, in February 2022, the historically largest price increase was observed. The largest effects yielded the rise in prices for dairy products, bread and cereals, fresh vegetables, and fresh fruit; and the fall in prices for chocolate. World food prices have been rising again since the beginning of this year, following a slight decline in December last year. In February 2022, global food prices rose sharply (i.e., by 3.9%), and the food price index reached an all-time high. In February, the sharp rise in the prices of vegetable oils and dairy products continued to drive up prices, while the prices of cereals and meat also rose. However, the price of sugar fell for the third consecutive month. The vegetable oil price index reached an all-time high in February. The rise in prices continued to be driven by weak output in the main producing countries, concerns about supplies, especially from the Black Sea region, growing global import demand and rising crude oil prices. For dairy products, prices rose for the sixth consecutive month, with prices rising for all products within the category, driven by continued import demand and lower supplies from Western Europe and Oceania. It should be noted that the Russian invasion of Ukraine could rapidly reduce future food supplies to the world, as both Ukraine and Russia are important suppliers of agricultural products. Currently, the harvests are threatened in Ukraine and stuck in Russia due to sanctions against the country.

The rise in fuel prices also had a significant upward effect in February, with prices rising by 5.3% and thus elevating the overall consumer price level by 0.4 percentage points. High fuel prices continue to be affected by the sharp rise in world oil prices. World oil prices, after falling in the previous months of last year, have been rising sharply again since the beginning of this year. In February 2022, world oil prices increased by an average of 10% during the month, with Brent oil prices exceeding USD 100 per barrel at the end of the month. The rise in oil prices was mainly due to the invasion of Ukraine by the oil-producing country Russia, as well as fears that Russia's crude oil exports could be affected by sanctions or that Russia itself could use it as a political weapon. In addition, OPEC + 's reluctance to agree to a more rapid increase in oil production, despite the war in Ukraine, continues to affect the rise in oil prices.

In February 2022, prices for services increased by 0.6%, which elevated the overall consumer price level by 0.2 percentage points. The largest upward effect was observed in the increase in prices for motor insurance, catering and outpatient services, and waste collection; however, prices for passenger air transport decreased.



A significant increase in prices for alcoholic beverages and tobacco products (by 1.9%) has also been observed, which increased the overall price level by 0.15 percentage points. In February 2022, the rise in prices for heat (by 1.7%) and for solid fuels (by 3.7%) also had an upward effect, raising the overall consumer price level by 1.0 percentage point.

In February 2022, the largest downward effect due to seasonal sales yielded the fall in prices for clothing and footwear (by 1.6%), which reduced the overall consumer price level by 0.1 percentage point.

In February 2022, compared to February of the previous year, consumer prices increased by 8.7%. The average annual inflation was 4.7 percent.

Price changes are expected to significantly exceed the level of seasonal fluctuations in the coming months. The main impact on price developments will continue to be related to rising world prices for energy and food, which will be largely affected by geopolitical tensions in the region due to Russia's aggression in Ukraine. Their second-round effects on the prices of industrial goods and services are also anticipated. Overall, in 2022, the average annual inflation is forecast to be significantly higher than in 2021.