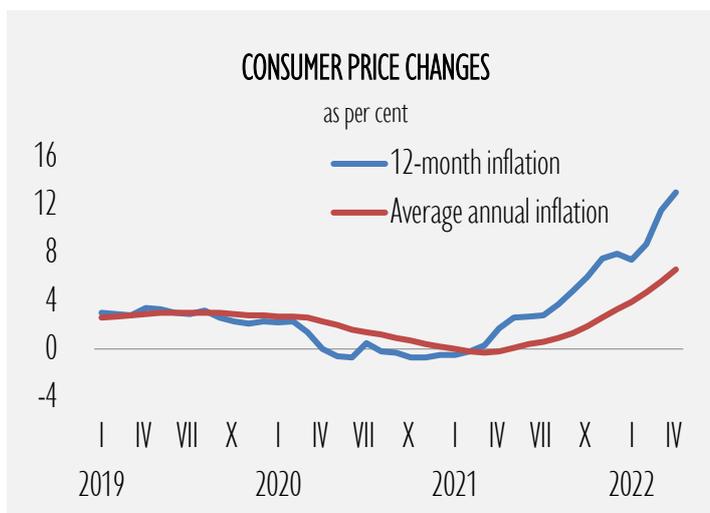


On Consumer Prices in April 2022

In April 2022, consumer prices continued to rise sharply

According to the Central Statistical Bureau (CSB), in April 2022, compared to March, the consumer price level increased by 2.2%. It increased by 2.6% and 1.3% for goods and services, respectively.

This year, the increase in prices in April was significantly higher than characteristic for the month, which continues to be affected by a significant rise in world prices. It was also affected by a more rapid rise in prices for clothing and footwear, which exceeded the level of seasonal fluctuations.



In April 2022, the largest upward effect yielded the rise in food prices, which continued to be affected by the already soaring world prices and the Russian invasion of Ukraine. In Latvia, food prices increased by 3.6% and the overall consumer price level rose by 0.9 percentage points. The largest impact provided the rise in prices for meat, fresh vegetables, dairy products, bread and cereals, eggs, and coffee. In April 2022, after rising sharply in March 2022 to an all-time high, world food prices declined slightly. In April 2022, world food prices fell by 0.8%; however, prices remain high due to the war in Ukraine. The fall in prices in April can primarily be attributed to a significant decline in vegetable oil prices, as well as a minor fall in cereal prices. Meanwhile, sugar, meat, and dairy prices remained modest. The decline in prices was mainly driven by more moderate global import demand due to high prices, as well as declining demand in China. However, even sharper decline in vegetable oil prices was limited by uncertainty regarding the availability of exports from Indonesia, the world's leading exporter of palm oil. Similarly, the fall in cereal prices was due to lower prices for maize; nevertheless, prices for barley and wheat were affected by the continued closure of ports in Ukraine.

In April 2022, as in March, the dynamics of consumer prices is determined by the seasonal increase in prices for clothing and footwear, which represented the most rapid increase this month since 1998. Prices for clothing and footwear increased by 8.9% over the month, elevating the overall consumer price level by 0.5 percentage points.

In April 2022, prices for services increased by 1.3%, increasing the overall consumer price level by 0.3 percentage points. The largest upward effects provided the increase in prices for catering and accommodation services, maintenance and repair of personal transport equipment, transport services, water supply and sewerage services, and motor insurance.

In April 2022, fuel prices continued to rise by 2.6%; the overall consumer price level increased by 0.2 percentage points. High fuel prices continue to be affected by rising global oil prices. However, after a very sharp rise in oil prices in March, in April 2022, the prices declined. During the month, world oil prices fell by an average of 6%. At the beginning of the month, Brent oil prices plummeted to \$ 98 a barrel, driven mainly by fears of a sharp rise in US interest rates that would dampen economic growth, an increase in Covid-19 cases in China, and plans by several countries to release crude oil from emergency reserves. In the middle of the month, oil prices rose to \$ 113 a barrel, fuelled by rising global inflation, news of EU embargo on Russian oil, and a halt to oil production in Libya. Then, world oil prices fell again in the second half of the month after the International Trade Round. The IMF downgraded global economic growth forecasts due to the war in Ukraine and the introduction of new Covid-19 restrictions in Shanghai, which raised concerns regarding declining global oil demand. At the same time, the persistence of high oil prices is fuelled by the OPEC + agreement to continue to increase oil production moderately, despite calls from several countries for more rapid oil production.

Also, a significant increase in prices for solid fuels (by 17.5%), which elevated the overall price level by 0.2 percentage points, was observed. In addition, prices increased for alcoholic beverages and tobacco products by 1.9%, increasing the overall price level by 0.15 percentage points.

In April 2022, compared to April 2021, consumer prices increased by 13%. The average annual inflation was 6.6 percent.

Price developments are anticipated to continue to outpace 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 forecast. In 2022, the average inflation is expected to exceed 12 percent.