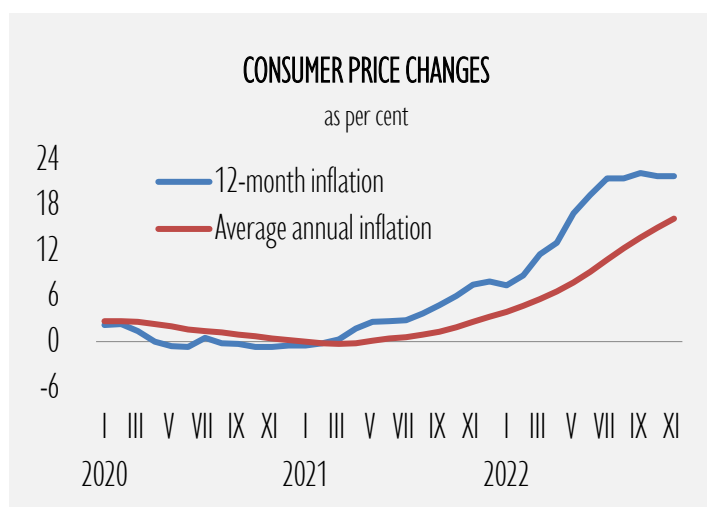


On Consumer Prices in November 2022

The increase in consumer prices has become more moderate

According to the data of the Central Statistical Bureau (CSB), in November 2022, compared to October, the level of consumer prices increased by 1.1%. It rose by 1.3% and 0.7% for goods and services, respectively.

November is characterized by a decline in prices or very low inflation, primarily attributed to seasonal factors. In November 2022, as in the previous year, a sharp increase in prices than characteristic for the month has been observed. The largest impact yielded the rise in food prices.



In November 2022, the increase in food prices was as equally expeditious as in November last year, when it was the most rapid monthly price increase since 2007 was observed. In November 2022, the prices of food products increased by 1.5%, elevating the overall level of consumer prices by 0.4 percentage points. The largest increase in prices was observed for bread and other baked goods, fresh vegetables, dairy products and eggs. However, the largest decrease was observed for pork, fruit, and vegetable juices. It should be noted that the prices of food products in the world have been decreasing since April 2022. Nevertheless, in recent months the price drop has become increasingly moderate. In November 2022, compared to October, world food prices remained essentially unchanged (decrease by 0.1%), in essence reaching the level of the previous year (increased by 0.3% during the year). Also, prices rose for vegetable oils and sugar, with price increases almost offsetting price declines for cereals, dairy products, and meat. Sugar prices rose the fastest, marking the first increase after declines in the previous six months. The rise in prices can be attributed to strong demand and weaker global sugar supplies due to harvest delays in major producing countries, India's announcement to reduce sugar export quotas, as well as higher ethanol prices in Brazil, raising concerns about more sugarcane use for ethanol production. Vegetable oils prices rose after seven consecutive months of declines, driven mainly by a rise in palm oil prices amid rising global import demand, in turn induced by competitive prices against other edible oils, as well as concerns about lower production potential due to excess rainfall in Southeast Asia. On the other hand, the drop in prices for wheat and corn was influenced by the continuation of Black Sea grain exports from Ukraine, lower import demand from the USA, and an increase in shipments from Russia, contributing to competition in world markets. World cereal prices were still 6% higher than last November. Dairy products and meat saw similar price declines. Both dairy and meat prices fell for the fifth consecutive month. However, dairy and meat prices remain 9% and 4% higher than a year ago, respectively. The fall in prices in November in these groups continued to be determined by weak demand and increasing export supply, as well as market uncertainty about the future direction of demand due to high inflation and economic recession.

In November 2022, prices for services increased by 0.7%, elevating the overall consumer price level by 0.2 percentage points. The largest positive effect provided the increase in prices for mobile phone services, with the largest mobile providers raising tariffs in connection with the rising cost of energy resources. The increase in the prices of catering, ambulatory, water supply, and sewerage services also had a significant impact on the consumer price level.

Also, prices for personal hygiene products and beauty care products rose by 6.5%, increasing the overall consumer price level by 0.1 percentage points.

In November 2022, the increase in prices for energy resources related to housing also had a positive effect, elevating the overall consumer price level by 0.1 percentage points. The largest impact yielded a

2.1% increase in electricity prices, caused by a sharp rise in its price on the stock exchange in the last week of the month, which was facilitated by unfavourable weather conditions for electricity production in Europe – i.e., dry, cool weather and a reduction in wind generation, an increase in consumption, an increase in prices for energy resources, and a decline in energy flows from Finland and Sweden. The price for thermal energy increased by 1.6%, which was mainly influenced by the rise in the thermal energy tariff of JSC "Rīgas Siltums" from November 28, 2022. Prices for natural gas and solid fuel remained essentially unchanged.

In November 2022, compared to October, fuel prices increased by merely 0.4%, not significantly affecting the overall consumer price level. The price of diesel fuel increased, albeit the price of gasoline decreased. Fuel prices remain high, driven by high global oil prices. World oil prices, after rising in October and November 2022, fell by an average of 2.2% during the month. This was mainly due to continued Covid-19 restrictions in China and concerns about insufficient demand for oil as growth slowed in all major economies. Global oil prices continue to decline in the first weeks of December, falling to \$77 per barrel, the lowest price level since December last year.

In November 2022, compared to November 2021, consumer prices increased by 21.8%. The annual average inflation was 16.2%.

It is anticipated that in the coming months, price changes will continue to exceed the level of seasonal fluctuations. However, the price increase might not be as rapid as it was observed in previous months. It is forecast that in 2022 the average annual inflation could reach 17.4%. At the beginning of 2023, inflation rates should start to decline.