

## On Consumer Prices in March 2023

**In March, month-specific price changes can be observed**

According to the data of the Central Statistical Bureau (CSB), in March 2023, compared to February, the level of consumer prices increased by 0.7%. It increased by 0.7% and 0.9% for goods and services, respectively.

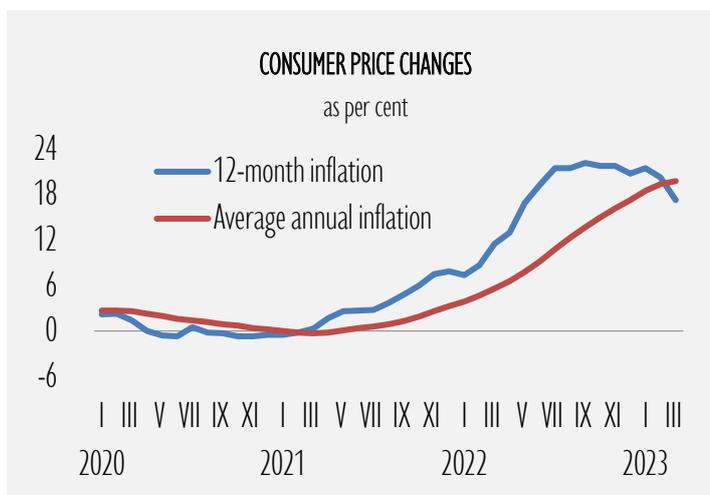
Traditionally, the level of consumer prices increases more rapidly in March than in other months of the year (on average by 0.7-1.2%). The price increase in March is mainly influenced by the seasonal price increase for clothes and shoes, and in previous years also the increase in excise duty rates. In 2023, in March, month-

specific price changes can be observed, albeit the price level has been more affected by the increase in food prices, which continues to have a significant impact on the overall price increase in Latvia.

In March 2023, the second largest increase in food prices was observed since 1996, only in March of the previous year food prices rose more rapidly. In March 2023, food prices had the largest positive effect and increased by 1.5% during the month, elevating the overall consumer price level by 0.4 percentage points. In particular, the largest positive effect yielded the rise in the prices of fresh vegetables and dried, salted, and smoked meat, while the largest negative effect provided the fall in prices of dairy products. It should be noted that global food prices have been declining for the twelfth month in a row since the price index peaked a year ago. In March 2023, they decreased by 2.1% during the month, albeit over the year a decrease of 20.5% was observed. The drop in prices in March 2023 was determined by the decline in the prices of cereals, vegetable oils and dairy products, while the prices of sugar and meat increased. Also, prices fell in March 2023 for all major types of cereals. Wheat fell the most, driven by ample supplies and strong competition among exporters, boosted by the extension of the Black Sea Grain Initiative, allowing Ukraine to continue exporting the grain. In general, grain prices in the world were 18.6% lower than in March of the previous year. For vegetable oils, the price index hit its lowest level since the end of 2020 and fell 47.7% over the year, continued to be driven by weak global import demand and ample export supplies. The fall in the price index of dairy products in March was determined by the decrease in the prices of cheese and milk powder, while the prices of butter rose. The decline in prices was driven by continued weakness in global import demand, particularly for short-term supplies and the seasonal increase of milk production in Western Europe, while the rise in butter prices was driven by rising import demand in Asia. Among meat products, world prices rose in March for beef due to rising domestic prices in the US and for pork due to ongoing supply constraints and increased demand ahead of Easter in Europe. Poultry prices, on the other hand, fell for the ninth month in a row, reflecting abundant global supplies at the same time as lower import demand, despite bird flu outbreaks in several leading producer countries. The price drop was also observed for mutton. The sugar price index, on the other hand, reached its highest level since October 2016 in March due to downgrading of sugar production forecasts in India, Thailand and China, however, good sugar cane harvest forecasts in Brazil and falling oil prices limited a sharper rise in sugar prices.

Also, in March 2023, at the end of the season sales, the increase in prices contributed to the increase in the price of clothes and shoes. Prices for clothes and shoes increased by 6.4% during the month, increasing the overall level of consumer prices by 0.3 percentage points.

Prices for services increased by 0.9% in March 2023, elevating the overall level of consumer prices by 0.2 percentage points. The largest positive effect yielded the increase in prices for passenger air transportation, leisure and cultural services (participation in leisure and sports events and television



subscription fees), ambulatory services due to the increase in the prices of medical specialists, dental services and services of medical analysis laboratories and radiology centres, complex leisure services, and housing rent . On the other hand, the drop in prices for water supply and sewerage services had a major negative effect on the consumer price level.

Also, a significant price increase in March 2023 for alcoholic beverages and tobacco products (by 2%) and personal hygiene products and beauty care products (by 7.2%) was observed, which together increased the overall level of consumer prices by 0.3 percentage points.

The largest negative effect in March provided the drop in prices for energy resources related to housing, which reduced the overall level of consumer prices by 0.3 percentage points. The largest negative effect yielded the price drop for electricity (by 3.4%), which was affected by the fall in its price on the stock exchange, heat energy (by 1.5%), and solid fuel (by 3.3%).

In March 2023, fuel prices also decreased - by 3.3%, which was mainly determined by the decline in prices for diesel fuel, which reduced the overall level of consumer prices by 0.2 percentage points. Global oil prices also fell in March 2023 - by an average of 5% during the month, with oil prices falling to their lowest level in the last three months in the middle of the month, which was determined by concerns about the risk of recession under the influence of the banking crisis and the increase in interest rates. However, at the beginning of April 2023, oil prices have returned to the level of the beginning of the month of March, following the decision of Saudi Arabia, the United Arab Emirates and Kuwait to reduce oil production from May. Russia and other OPEC+ members have also announced their decisions to reduce oil production.

In March 2023, compared to March of the previous year, consumer prices increased by 17.3%. Annual average inflation was 19.8%.

In the future, the main influence on price changes will continue to be related to energy resource and food price fluctuations in the world, and their secondary effects on the prices of industrial goods and services will also be observed. Considering the uncertain geopolitical situation and the base effect of inflation dynamics, in 2023, the average annual inflation is forecast to be within 9%.