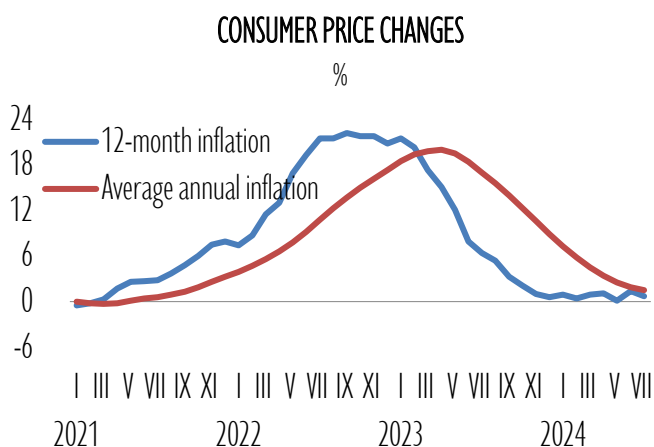


On Consumer Prices in July 2024

July sees an unusual price increase for the month

According to the Central Statistical Bureau, in July 2024, compared to June, the consumer price level increased by 0.1%. It remained unchanged for goods, but for services, it increased by 0.4%.

In July, the consumer price level traditionally had a downward trend, influenced by seasonal factors. For the fifth year in a row, a price increase was observed in July, which is not typical for this month. In previous years, this was mainly driven by the rapid increase in global energy resource prices and rising tariffs. This year, inflation in July was mainly influenced by a slower-than-usual decrease in food prices for this month.



The largest increasing effect in July, as promotions ended, was the rise in prices for personal hygiene and beauty products—up by 7.7%, which increased the overall consumer price level by 0.15 percentage points.

In July, prices for services continued to rise—by 0.4%, which increased the overall consumer price level by 0.1 percentage point and marked the eighth consecutive month of increases. In the services sector, the largest upward impact came from transport services, mainly due to higher prices for international flights. The rise in prices for package holidays (travel abroad purchased through package tour operators) and housing rentals also had a significant impact.

After falling in the previous two months, fuel prices increased in July. Fuel prices rose by 1.3%, which raised the overall consumer price level by 0.1 percentage point. Prices for diesel fuel increased more rapidly. The average monthly price of Brent crude oil also increased by 1.3% in July compared to June. However, by the end of July, compared to the end of June, the price of Brent crude oil had decreased by 7%, with the price dropping from 87 USD per barrel at the beginning of the month to 81 USD per barrel by the end. Despite heightened tensions in the Middle East and potential oil supply disruptions, the price increase was dampened by ongoing concerns about demand in China. Data show that China's total oil imports in the first half of 2024 decreased by 11%.

Prices for alcoholic beverages and tobacco products increased by 0.8% in July, raising the overall consumer price level by 0.1 percentage point. The largest impact came from higher prices for spirits and cigarettes.

The largest downward impact in July, due to seasonal sales, was the decline in prices for clothing and footwear—down by 5.1%, which reduced the overall consumer price level by 0.3 percentage points.

Food prices decreased by only 0.2% in July, reducing the overall price level by 0.05 percentage points. Traditionally, July is characterized by a more rapid decline in food prices. The largest impact in July, due to seasonal factors, was the fall in prices for fresh vegetables.

It should be noted that, after a slight increase in the previous four months, global food prices also decreased slightly in July—by 0.2%. Over the year, compared to July 2023, they fell by 3.1%. In July, the decline in the cereal price index outweighed increases in the vegetable oil, meat products, and

sugar price indices, while the dairy product index remained almost unchanged. The cereal price index declined sharply for the second consecutive month. As in June, prices for all cereal types fell in July, driven by seasonal harvests and improved crop prospects in major exporting countries. The dairy price index was broadly unchanged in July, with a decline in milk powder prices offset by increases in butter and cheese prices. Milk powder prices fell due to weak import demand, particularly for deliveries, partly caused by the summer slowdown in market activity in Western Europe, despite limited stocks and seasonally lower milk production in Oceania. Meanwhile, butter and cheese prices rose, mainly driven by high domestic sales in Western Europe, limited stocks, and seasonally lower milk production.

In turn, the sharpest price increase for the second consecutive month, reaching a one-and-a-half-year high, was for the vegetable oil price index, driven by price increases for all types of vegetable oils. This mainly reflected stable demand from the biofuel sector and deteriorating crop forecasts in several major oilseed-producing countries for the 2024/2025 season. The meat price index continued to increase in July. Strong import demand led to higher prices for beef, sheep, and poultry, while pork prices declined slightly due to a surplus in Western Europe caused by weaker external and domestic demand. The sugar price index also rose for the second consecutive month in July, primarily driven by a lower-than-expected harvest in Brazil. Additionally, concerns about the potential impact of prolonged dry weather on sugar production in the coming months and the recent increase in ethanol prices further contributed to the global rise in sugar prices.

In July 2024, compared to July of the previous year, consumer prices increased by 0.7%. The average annual inflation was 1.5%.

In the future, the main impact on price changes will continue to be related to fluctuations in energy and food prices in the world, as well as global developments. At the same time, inflation in Latvia is affected by various supply-side factors related to the revision of taxes and tariffs, as well as the demand side, which is driven by wage growth. Overall, the average annual inflation in 2024 is expected to be within 1-1.5%.