

On Consumer Prices in March 2025

Price changes typical for the month were observed in March

According to data from the Central Statistical Bureau, in March 2025, compared with February, the consumer price level increased by 0.9%. Prices of goods rose by 0.7%, while prices of services increased by 1.3%.

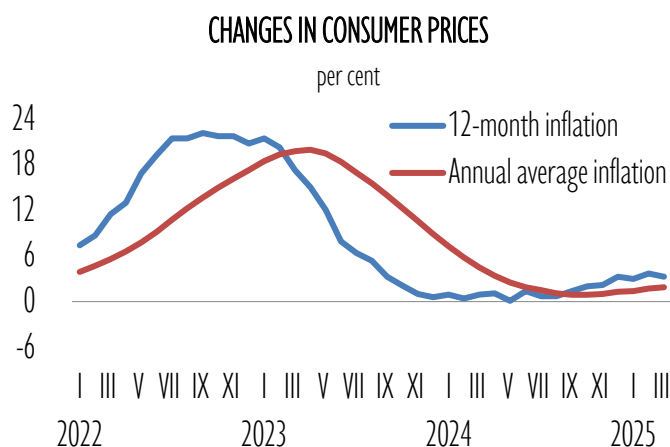
In March, the consumer price level traditionally increases more rapidly than in other months of the year - on average by 0.7-1.2%. This increase is usually driven by seasonal price rises for clothing and footwear, as well as changes in excise duty rates. This year, price fluctuations typical for the month were also observed in

March, further amplified by a significant increase in food prices, which continues to be one of the main drivers of overall price growth in Latvia. Faster price increases were also recorded in the services sector, and these two consumer groups had an impact on the overall consumer price level comparable to that of rising clothing and footwear prices.

Prices of food and non-alcoholic beverages increased by 1.3%, raising the overall consumer price level by 0.4 percentage points. Excluding the sharp price increases observed in March 2022 and 2023, food price growth in March this year was the fastest recorded for this month (based on available data since 1998), except for 2004, when the increase was identical to that observed this year. The largest upward impact in March this year came from higher prices for fresh vegetables, chocolate, dried, smoked and salted meat, fresh fruit, poultry, dairy products and eggs.

After increasing in the previous month, global food prices remained unchanged in March; however, year-on-year - compared with March 2024 - they increased by 6.9%. Declines in cereal and sugar prices offset increases in meat and vegetable oil prices, while dairy product prices remained stable. The sharpest price declines were recorded for cereals, mainly due to lower wheat prices, as concerns over crop conditions in several major Northern Hemisphere exporting countries eased. The decline in sugar prices in March, following an increase in the previous month, was driven by weak global demand and recent rainfall after prolonged drought in key sugarcane-growing regions in southern Brazil, reducing concerns about sugar supply shortages. The fastest price increase in March was recorded for the vegetable oil price index, which rose across all major vegetable oil types. Palm oil prices increased for the second consecutive month due to insufficient supplies in key producing countries in Southeast Asia. Despite weak demand from the US biofuel sector, soybean oil prices remained competitive relative to other oils. Rapeseed and sunflower oil prices rose as inventories among major exporters declined while global demand remained strong. More moderate price increases in March were observed for meat. Pork prices increased as EU prices rose after Germany regained its status as a country free of foot-and-mouth disease, allowing the United Kingdom and other countries to lift import bans. Beef and mutton prices continued to rise due to strong demand, while poultry prices remained stable as supply and demand were balanced, despite avian influenza outbreaks in some major producing countries. Meanwhile, dairy product prices remained unchanged in March, with increases in butter and milk powder prices driven by declining milk production in Oceania and strong demand, while cheese prices declined after nine months of uninterrupted growth, supported by stable supply in Europe and weak demand in Oceania.

As in other years, following the end of winter sales, clothing and footwear prices increased significantly in March - by 6.4% - raising the overall consumer price level by 0.3 percentage points. At the same time, it should be noted that this year's increase in clothing and footwear prices in March was the lowest since 2012 (except for 2023, when the increase was the same as this year).



In March, service prices increased on average by 1.3%, raising the overall price level by 0.3 percentage points. In the services sector, the largest upward impact in March came from higher prices for transport services, mainly due to rising international flight prices. Price increases were also significantly influenced by higher vehicle technical inspection fees and television subscription charges.

As a result of the increase in excise duty on alcoholic beverages from 1 March 2025, prices of alcoholic beverages and tobacco products rose by 3.0%, raising the overall consumer price level by 0.2 percentage points. The largest impact came from higher prices for spirits and beer. Cigarette prices also increased significantly.

The largest downward impact in March came from declining energy prices. After increasing in the previous three months, fuel prices fell sharply in March - by 4.2% - reducing the overall consumer price level by 0.3 percentage points. Prices declined similarly for both diesel fuel and petrol.

The average monthly price of Brent crude oil in March decreased by approximately 4.7% compared with February, marking the sharpest monthly decline since September 2024. However, by the end of March, compared with the end of February, the price of Brent crude oil had increased by 2%. For most of the month, prices remained in the range of USD 69-71 per barrel, rising to USD 74 per barrel at the end of the month due to concerns about a potential reduction in global supply. US threats to impose 25% tariffs on buyers of Venezuelan oil disrupted trade flows, particularly to China and India, the largest importers of Venezuelan oil. This was further intensified by threats from the US President to impose 25-50% tariffs on buyers of Russian oil if Moscow obstructed his efforts to end the war in Ukraine, as well as threats of additional tariffs and military strikes against Iran if it failed to reach an agreement with the United States on its nuclear programme. US crude oil inventories also declined, indicating strong demand. Meanwhile, markets assessed the upcoming US tariff increases expected on 2 April, heightening concerns about a global trade war that could hinder economic growth and reduce energy demand. Downward pressure on prices was also exerted by OPEC+ plans to gradually increase oil production from April, potentially continuing in May.

In March, electricity prices also decreased - by 3.9% - reducing the overall consumer price level by 0.1 percentage points. This was driven by a decline in electricity prices on the exchange, lowering tariffs linked to electricity market prices. The price decline was mainly influenced by increased renewable energy production - higher output from wind, solar and hydropower plants - and warmer weather, which reduced overall electricity consumption in the Baltic region. Meanwhile, prices for natural gas and solid fuels remained virtually unchanged, while heat energy prices increased slightly - by 0.6%.

In March 2025, compared with March of the previous year, consumer prices increased by 3.3%. Average annual inflation stood at 1.9%.

Going forward, price changes will continue to be significantly influenced by global price fluctuations, as well as by global developments, particularly the geopolitical situation. At the same time, new tax changes will have a substantial impact in Latvia, both from the supply side through tax and tariff increases, and from the demand side, as rising post-tax wages increase household purchasing power. Overall, average annual inflation in 2025 will be higher than that observed in 2024 - at around 3%.