

## On Consumer Prices in April 2025

**Seasonal and global trends drive price increases - inflation accelerates in April**

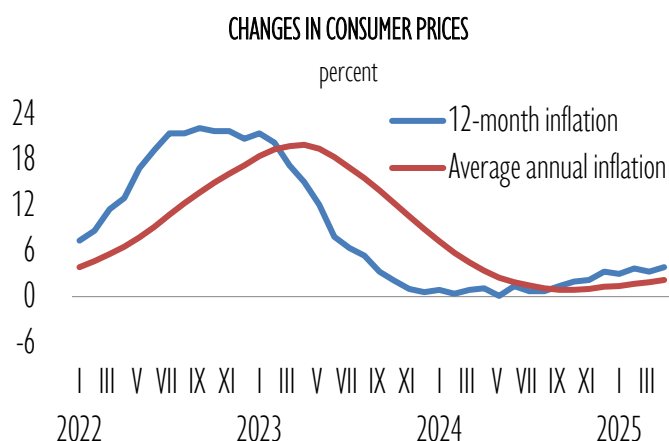
According to data from the Central Statistical Bureau, in April 2025 compared with March the overall level of consumer prices increased by 1.1%. Prices of goods rose by 1.1%, while prices of services increased by 0.9%.

This year, the price increase in April was faster than is typical for this month. Excluding the sharp price surge observed in April 2022, the increase recorded this year was the strongest April price rise since 1995. Price dynamics in April were mainly driven by rising prices for clothing and footwear, which this year exceeded the usual seasonal change. Food prices also continued to have a significant impact - they kept increasing in April, and this category has long been one of the key drivers of inflation in Latvia. Faster price growth was also observed in the services sector.

The increase in prices for clothing and footwear in April this year was the strongest ever recorded for this month (based on available data since 1998). The price rise was mainly associated with the active sale of spring - summer season items - new collections - which are typically offered at higher prices. Over the month, prices for clothing and footwear increased by 9.2%, raising the overall consumer price level by 0.5 percentage points.

Prices for food and non-alcoholic beverages rose by 1.2%, increasing the overall consumer price level by 0.3 percentage points. It should be noted that food prices typically show a slight increase in April; however, excluding the sharp rise in April 2022, the increase in food prices this April was the fastest for this month since 2008, except for 2021, when it was identical to this year's increase. The largest upward impact in April this year came from rising prices for coffee, poultry meat, dairy products and eggs, and fresh fruit.

Global food prices also continued to rise in April - by 1% over the month, and by 7.6% year-on-year compared with April 2024. Increases in meat, dairy product and cereal prices outweighed declines in sugar and vegetable oil prices. The sharpest price increase was observed for meat. Prices rose for all types of meat, most notably pork, driven by higher demand for EU pork. The increase was further amplified by seasonal demand related to Easter. Prices for beef and lamb rose due to stable import demand and limited supply, while poultry prices increased moderately, particularly in Brazil, where holiday-related factors reduced export volumes. Dairy product prices also increased across all product categories in April. Butter prices rose for the third consecutive month, reaching a historical high, driven by low stocks and strong demand for milk fat in Europe, while prices for milk powders and cheese increased due to stable global demand and declining production in Oceania. Prices also rose for all major cereal types. The increase in wheat prices was driven by lower export supplies from Russia, a stable export pace in other countries, and the depreciation of the US dollar. However, further price growth was limited by developments in trade policy and macroeconomic uncertainty. The sharpest price decline in April was observed for sugar, driven by concerns about global economic prospects and weakening demand in the food and beverage industries. Prices were further reduced by unexpectedly high sugar production in Brazil, the depreciation of the Brazilian real, and lower oil prices, which made the use of sugar for bioethanol production less attractive. Meanwhile, the decline in vegetable oil prices was mainly driven by a decrease in palm oil prices, caused by increased production and the resumption of export supplies in Southeast Asia.



In April, prices for services increased on average by 0.9%, raising the overall price level by 0.2 percentage points. Within the services sector, the largest upward impact on consumer prices came from rising prices for transport services - increases were observed across all modes of transport, with the most significant impact from higher prices for international flights. A more moderate but still notable price increase was also observed for accommodation and catering services, as well as water supply and sewerage services. In contrast, the largest downward impact came from a decline in prices for package holiday services.

Following a sharp decline in the previous month, fuel prices recorded a slight increase in April - by 0.5%, which did not significantly affect the overall consumer price level. Prices increased for petrol, while diesel prices remained unchanged.

Meanwhile, oil prices declined significantly in April. The average monthly price of Brent crude oil in April fell by approximately 7% compared with March, marking the steepest monthly decline since December 2021. By the end of the month, the price was 15% lower than at the end of March – from USD 74 per barrel at the beginning of April to USD 63 at the end of the month. This downturn was driven by growing concerns about a global supply surplus and weakening demand. Additional pressure came from signals by Saudi Arabia regarding increased production and efforts to regain market share, while at the OPEC+ meeting on 5 May, the possibility of further production increases was considered, intensifying fears of a new price war. Trade tensions between the United States and China further worsened demand prospects, compounded by the contraction of the US economy in the first quarter and a sharp decline in consumer confidence. Despite the pessimistic sentiment, an unexpected decline in US crude oil inventories helped to limit an even steeper fall in prices.

The largest downward impact in April came from declining prices for housing-related energy resources, which together reduced the overall consumer price level by 0.1 percentage points. The most significant impact was from a 1% decrease in electricity prices, driven by lower electricity prices on the exchange, which reduced tariffs linked to exchange prices. The decline was mainly influenced by increased production from renewable energy sources - higher output from wind and solar power plants - and warmer weather, which reduced overall electricity consumption in the Baltic region. In addition, electricity imports to the Baltic states increased sharply. Prices also declined for thermal energy by 0.7%. Meanwhile, natural gas prices remained unchanged, while prices for solid fuels increased slightly by 0.4%.

In April 2025, compared with April of the previous year, consumer prices increased by 3.9%. The average annual inflation rate was 2.2%.

Looking ahead, price developments in Latvia will continue to be significantly influenced by global price fluctuations and global economic developments, particularly the geopolitical situation and its impact on energy and food prices. Overall, average annual inflation in 2025 will be higher than in 2024 and could exceed the 3% threshold.