

On Consumer Prices in May 2025

Inflation slowed in Latvia in May 2025

After a steady increase in consumer prices over the past eight months, a slowdown in inflation was observed in May this year.

According to the latest data published by the Central Statistical Bureau, in May 2025, compared to April, the consumer price level decreased by 0.1%. For goods, it decreased by 0.2%, while for services it increased by 0.1%.

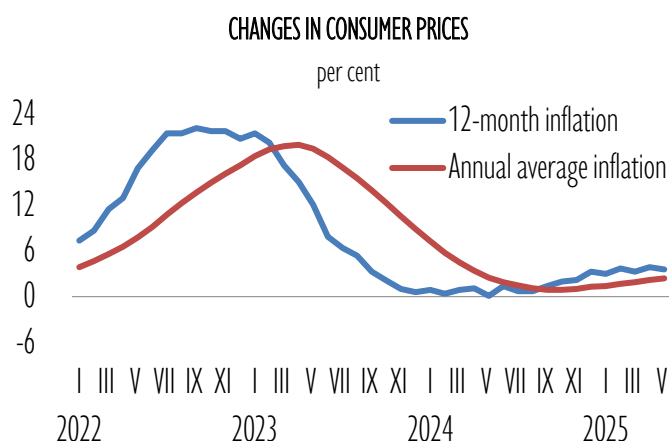
On average, May is typically characterised by either a slight increase or a slight decrease in prices. This year, price changes observed in May were typical for the month. However, the last time a decline in prices was observed in May was only in 2020, under the impact of the Covid-19 crisis, and before that in 2014. Therefore, the decrease in consumer prices in May 2025 indicates a trend of slowing inflation. Price dynamics in May this year were mainly influenced by a decline in fuel prices, driven by a sharp drop in oil prices on the global market. At the same time, food prices continued to have a significant impact, as they kept rising in May. Food prices have long been one of the main factors increasing inflation in Latvia.

The largest downward effect in May came from the decrease in fuel prices – by 4.8%, which reduced the overall consumer price level by 0.3 percentage points. Prices fell for all types of fuel, with the sharpest decrease recorded for diesel fuel.

The average oil price in May decreased significantly for the fourth month in a row. The average monthly price of Brent oil in May, compared to April, fell by around 4%, although by the end of the month the price was 1.2% higher than at the end of April. Oil price fluctuations in May were mainly influenced by OPEC+ decisions to increase production, geopolitical risks and global economic prospects. At the beginning of the month, the price was close to a four-year low, at around USD 60 per barrel, after OPEC+ countries, including Saudi Arabia and Russia, announced a production increase of 411 thousand barrels per day in June, which was a larger rise than previously expected, while trade tensions between the United States and China also raised concerns about a slowdown in global growth and weakening energy demand. However, by the end of the month, the oil price rose again slightly to around USD 65 per barrel, supported by the agreement between the United States and China to sharply reduce tariffs for at least 90 days, as well as by the announcement by the President of the United States on delaying the introduction of tariffs on European goods until 9 July, thereby easing concerns about a trade war. The increase in oil prices was also supported by rising geopolitical risks both in the Middle East and in connection with the war in Ukraine, raising concerns about a reduction in supply on the market.

The largest upward effect in May came from rising food prices. Prices for food and non-alcoholic beverages increased by 0.3%, which raised the overall consumer price level by 0.1 percentage points. It should be noted that in May this year, food recorded an unusually low price increase for the month, although it was faster than in the same month in the previous two years. The largest upward effect in May this year came from price increases for coffee and meat and meat products, while the largest downward effect came from fresh vegetables.

World food prices declined in May following increases in the previous three months – by 0.8% over the month, while over the year – compared to May 2024 – they recorded an increase of 6%. Declines in the prices of vegetable oils, sugar and cereals exceeded the increases in the prices of meat and dairy products. The sharpest price decline was recorded for vegetable oils. This was driven by lower prices



for palm, rapeseed, soybean and sunflower oils, caused by greater supply from the main producing countries and weaker demand for biofuel feedstocks, especially in the United States. The decline in sugar prices was determined by weakening global demand for sugar and concerns about an economic slowdown, as well as forecasts of a recovery in sugar production in 2025/2026. After increasing in the previous month, cereal prices decreased in May, driven by lower prices for maize and wheat. Maize prices fell sharply due to competition and harvest availability from Argentina and Brazil. The price decline was also supported by expectations of a large harvest in the United States in 2025. Wheat prices declined due to weak global demand and improved crop conditions in the Northern Hemisphere. Rainfall at the end of the month reduced drought risks in parts of Europe, the Black Sea region and the United States. Meanwhile, the sharpest price increase in May was recorded for meat, driven by higher prices for beef, lamb and pork, mainly supported by strong global demand, especially from China and Europe, as well as supply constraints that emerged in some regions as producers had to adapt to changes in breeding conditions and climate impacts. Poultry prices, by contrast, declined, mainly because of import bans from Brazil caused by avian influenza, which resulted in a substantial surplus there. Dairy prices in May increased for all product categories except skimmed milk powder. Butter prices remained at historically high levels, supported by strong demand from Asia and the Middle East. However, reduced demand for butter of EU origin limited a sharper increase in prices. Cheese prices rose for the second month in a row, driven by growing demand and limited availability in the EU due to adverse weather conditions and a disease outbreak earlier in the year. The increase in whole milk powder prices was driven by strong purchases, while prices for skimmed milk powder were reduced by large supplies from butter-producing regions.

Service prices in May increased on average by 0.1%, which did not have a significant impact on the overall price level. In the services sector, the largest upward effect on consumer prices in May came from an increase in accommodation service prices, which was related to the opening of the holiday season. A major effect also came from the increase in housing management charges. Meanwhile, the largest downward effect came from lower prices for international flights and package holiday services (foreign travel purchased from package tour operators).

Price fluctuations in other groups of goods and services did not significantly affect the overall price level in the past month.

In May 2025, compared to May of the previous year, consumer prices increased by 3.6%. Average annual inflation was 2.4%.

Going forward, price changes in Latvia will continue to be significantly influenced by global price fluctuations and developments in the world economy, especially the geopolitical situation and its impact on energy and food prices, as well as US tariff policy. In 2025 overall, average annual inflation will be higher than in 2024 and could exceed the 3% threshold.