

On Consumer Prices in June 2025

Moderate price changes and a trend towards inflation stabilisation were observed in June

Following the slowdown in inflation in May, moderate price changes continued in June, indicating an ongoing trend towards price stabilisation.

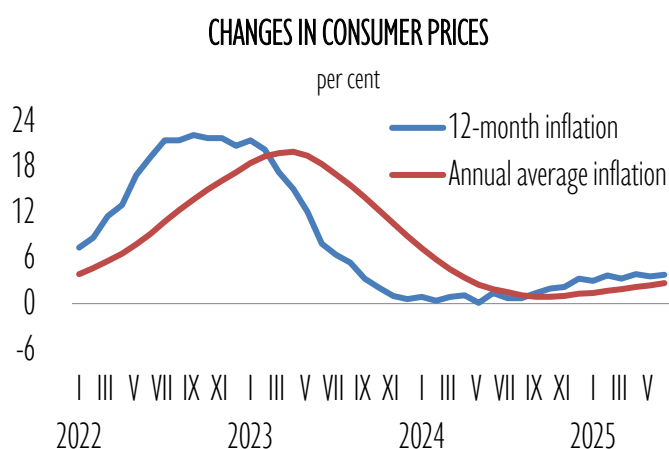
According to the latest data published by the Central Statistical Bureau, in June 2025, compared to May, the consumer price level increased by 0.1%. For goods, it decreased by 0.3%, while for services it increased by 1.2%.

Usually, a more rapid increase in prices is observed in June, mainly driven by seasonally rising food prices. However, this year price changes in June were unusually moderate – excluding the price declines observed in the previous two years, this was the lowest price increase in June since 2016. This time, it was food products that had the largest overall downward effect on consumer prices. Given that food price increases have been one of the main drivers of inflation in recent years, the data for June this year may indicate an easing of inflationary pressure. An additional positive effect may already have been provided in June by the memorandum concluded at the end of May between the state, producers and retailers, the aim of which is to promote a reduction in the prices of essential food goods – this may help to stabilise the food price level going forward as well. At the same time, the overall price level in June was increased by rising fuel prices, caused by higher oil prices in global markets, as well as by higher service prices.

In the **goods sector**, the largest upward effect in June came from the increase in fuel prices – by 2.5%, which raised the overall consumer price level by 0.2 percentage points. Prices increased similarly for both diesel and petrol.

The average oil price in June increased significantly after a continuous decline over the previous four months. The average monthly Brent oil price in June, compared to May, increased by around 9%, while by the end of the month the price was 5.8% higher than at the end of May. Oil price fluctuations in June were mainly influenced by the geopolitical situation in the Middle East and developments in OPEC+ production policy. At the beginning and in the middle of the month, Brent oil prices increased, reaching around USD 77 per barrel - the highest level since February. This was driven by the escalation of the conflict between Iran and Israel, which intensified concerns about possible disruptions to oil supplies in the region, especially if the operation of the Strait of Hormuz were to be threatened, through which more than one-fifth of the world's oil supply flows every day. Although Iran's oil infrastructure was not directly affected, the market reacted to rising military tensions and speculation about possible US involvement in military escalation. However, just a week later, the sharpest decline in Brent oil prices in the last two years was recorded, down to USD 67 per barrel (more than 13%), driven by easing tensions in the region and growing expectations that OPEC+ could increase output by a further 411 thousand barrels per day in August, following the previously planned increase in July. The price decline was also reinforced by the International Energy Agency's confirmation of the availability of 1.2 billion barrels of strategic reserves, which could be used if necessary. By the end of June, the Brent price had practically remained unchanged. In addition, further downward pressure on prices came from statements by the US President regarding possible sanctions relief against Iran, as well as investor caution ahead of 9 July - the deadline set by the US presidential administration for concluding trade agreements.

The largest downward effect in June came from the decline in food prices. Prices for food and non-alcoholic beverages decreased by 0.5%, which reduced the overall consumer price level by 0.1



percentage points. It should be noted that the last time a decline in food prices was observed in June was only in 2020 under the impact of the Covid-19 crisis, and before that in 2016. The largest downward effect in June this year came from lower prices for fresh vegetables, bread and dairy products, while the largest upward effect came from meat.

After declining in the previous month, world food prices increased in June – by 0.5% over the month, while over the year, compared to June 2024, the increase reached 5.8%. Increases in the prices of dairy products, meat and vegetable oils exceeded the declines in the prices of sugar and cereals. The sharpest price increase was recorded for vegetable oils, driven by higher prices for palm, soybean and rapeseed oil. Prices increased due to global import demand, including expected growth in the biofuel industry in Brazil and the United States, as well as a projected shortage in rapeseed oil supply. By contrast, sunflower oil prices decreased slightly thanks to favourable harvest forecasts in the Black Sea region. Meat prices also increased sharply. Meat prices in June rose in all categories except poultry. Beef prices increased due to lower exports from Brazil and strong demand in the United States. Pork and lamb prices rose due to stable demand and limited supply. Meanwhile, poultry prices declined in view of large stocks and export restrictions in Brazil following the outbreak of avian influenza, although they partially recovered at the end of the month after the restrictions were lifted. Dairy product prices increased moderately in June, with the sharpest rise recorded for butter, the price of which reached a new record. This was driven by low supply in Oceania and the EU, as well as strong demand from Asia. Dairy volumes in the EU were constrained by environmental regulations and disease outbreaks, while butter production and stocks in the United States declined. Cheese prices rose for the third consecutive month, while skimmed milk powder and whole milk powder prices declined due to weak demand and large stocks. Meanwhile, sugar prices fell most sharply in June – its price index was the lowest since April 2021. The price decline was driven by improved harvest forecasts: in Brazil this was supported by dry weather conditions and larger sugar cane volumes, while in India and Thailand it was supported by earlier and more intensive monsoon rains and expanded sowing areas. Cereal prices decreased for the second consecutive month in June. This was mainly driven by a decline in maize prices caused by increasing supply competition from Argentina and Brazil. In contrast, wheat prices increased, supported by unfavourable weather conditions in several key producing regions – Russia, the EU and the United States.

In June, a downward effect on the consumer price level also came from the decline in prices of housing-related energy resources, which reduced the overall consumer price level by 0.1 percentage points. The greatest effect came from a 1.3% decline in electricity prices, driven by a reduction in electricity prices on the exchange. It should be noted that the average electricity price on the Nord Pool exchange in June this year reached the lowest level since December 2020. Prices also declined for solid fuels - by 1.4%, and for thermal energy - by 0.7%.

Under the impact of sales promotions, prices for clothing and footwear decreased by 1% in June, which reduced the overall consumer price level by 0.1 percentage points.

Service prices in June increased on average by 1.2%, which raised the overall price level by 0.3 percentage points. In the services sector, the largest upward effect on consumer prices in June, in line with seasonal patterns, came from higher prices for travel- and recreation-related services – international flights, package holiday services (travel purchased from tour operators), as well as accommodation and catering services. A significant effect also came from higher telecommunications service prices, an increase in ambulatory healthcare service prices due to dental services, as well as higher prices for housing maintenance and repair services and rents. Meanwhile, the largest downward effect came from a decline in insurance service prices.

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

In June 2025, compared to June of the previous year, consumer prices increased by 3.8%. Average annual inflation was 2.7%.

08.07.2025.

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. Overall in 2025, average annual inflation will be higher than in 2024 and could exceed the 3% threshold.