

On Consumer Prices in July 2025

Inflation remained stable in July, while prices continued to decline for certain food product groups

For the second month in a row, moderate price changes persisted in July, indicating a continued trend towards price stabilisation.

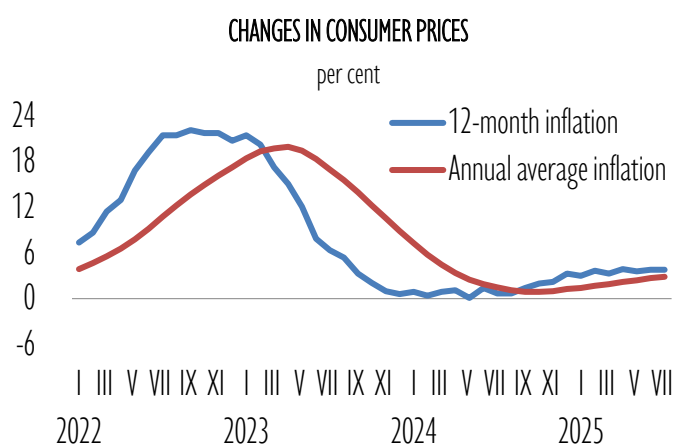
According to the latest data published by the Central Statistical Bureau, in July 2025, compared to June, the consumer price level increased by 0.1%. For goods, it decreased by 0.1%, while for services it increased by 0.6%.

For the sixth consecutive year, an increase in prices was observed in July, which is not typical for this month. In previous years, this was mainly influenced by the sharp rise in global energy prices, tariff increases, as well as a slower-than-usual decline in food prices for this month. This year in July, inflation was mainly influenced by the increase in fuel prices caused by higher oil prices in global markets, a rise in food prices atypical for this month, as well as higher service prices. The increase in food prices was influenced both by rising world food prices in certain product groups and by local seasonal and weather-related factors affecting supply. Such a price increase contrasts with the situation in June, when food products had the largest overall downward effect on consumer prices and a decline in the prices of essential food goods was observed. In June, food prices in Latvia declined, in contrast to Lithuania and Estonia, where they increased, indicating an easing of food price pressure. At the same time, the overall price level in July was reduced by the seasonal decline in prices for clothing and footwear.

In **the goods sector**, as in the previous month, the largest upward effect in July came from the increase in fuel prices – by 2.6%, which raised the overall consumer price level by 0.2 percentage points. Prices increased more sharply for diesel fuel.

Oil prices in July were stable on average, but rose sharply at the end of the month. The average Brent crude oil price in July remained at the June level; however, by the end of the month it was 7.3% higher than at the end of June – the largest month-end price increase since September 2023. Price dynamics in July were shaped by fluctuations between risks of higher supply and geopolitical tensions. For most of the month, prices fluctuated within the range of USD 67–70 per barrel, but by the end of the month they had risen to USD 73 per barrel. This was driven by growing concerns about possible disruptions in oil supplies caused by threats by the US President to impose 100% tariffs on Russia's trading partners if a truce in Ukraine is not achieved, new EU sanctions adopted against Russia (including a lower price cap and additional restrictions on importers), US sanctions against Iran and India, as well as the announcement of a US–EU agreement in the energy sector, which could increase demand for US energy resources. At the same time, the market closely followed OPEC+ plans to increase production, which reduced the momentum of price growth. On the last day of the month, however, the Brent price declined slightly, as investors reassessed both geopolitical risks and US inventory data. Over the week, US oil inventories increased by 7.7 million barrels (the largest increase in six months), indicating weaker exports. At the same time, a decline in petrol inventories by 2.7 million barrels pointed to strong demand during the summer season, somewhat balancing market sentiment. Overall, the market maintained cautious optimism in July, but the risk of price fluctuations remains high due to geopolitical and supply factors.

Prices for food and non-alcoholic beverages increased by 0.3% in July, which raised the overall consumer price level by 0.1 percentage points. Traditionally, food prices tend to decline in July, and an increase in this month is observed relatively rarely. An exception was 2022, when this was determined



by high food prices globally and the impact of Russia's invasion of Ukraine, and 2020, when demand was supported by the easing of Covid-19 restrictions, while before that the last increase in food prices in July had been recorded only in 2010. The largest upward effect in July this year came from the increase in prices for fresh fruit, potatoes, bread, dried, salted or smoked meat, and coffee, while the largest downward effect came from fresh vegetables and fresh fish. At the same time, prices declined in such food product groups as flour and cereals, poultry meat, yoghurt, cheese and curd, butter, etc.

World food prices continued to increase in July – by 1.6% over the month, while over the year, compared to July 2024, the increase reached 7.6%. The increase in prices was driven by higher prices for meat and vegetable oils, which exceeded the decline in prices for cereals, dairy products and sugar. The vegetable oil index reached a three-year high, mainly due to the increase in prices for palm, soybean and sunflower oil. Prices rose under the impact of strong import demand, including in the bioenergy sector in the Americas, while for sunflower oil this was due to seasonally declining supply in the Black Sea region. Rapeseed oil prices declined due to the arrival of the new harvest in Europe. Meat prices increased in all categories except pork and reached a historic high. The increase in beef and lamb prices was driven by strong import demand and limited supplies from Australia, Brazil and Oceania, while poultry prices were slightly increased by the resumption of Brazilian exports after the lifting of avian influenza restrictions. Pork prices declined due to high supply in the EU and weak global demand. Meanwhile, cereal prices declined for the third consecutive month, driven by the abundant winter wheat harvest in the Northern Hemisphere, although weak forecasts in North America and limited sales in Europe and the Black Sea region slowed the pace of the decline. Sugar and dairy product prices decreased very moderately in July. Sugar prices declined for the fifth consecutive month, mainly due to the projected increase in production in India, Thailand and Brazil, but the decline was limited by signs of recovering demand. The slight decrease in dairy product prices – the first since April 2024 – was driven by lower prices for butter and milk powders, which was largely offset by higher cheese prices amid stable demand in Asian and Middle Eastern markets.

The largest downward effect in July, in connection with sales promotions that take place seasonally every year, came from the decrease in prices for clothing and footwear by 5.3%, which reduced the overall consumer price level by 0.3 percentage points.

A notable decline in prices in July, also under the impact of sales promotions, was recorded for personal hygiene products and beauty products, by 4.1%, which reduced the overall price level by 0.1 percentage points.

Service prices in July increased on average by 0.6%, which raised the overall price level by 0.2 percentage points. In the services sector, the largest upward effect on consumer prices in July, in line with the season, continued to come from the higher prices of travel- and recreation-related services – international air transport and passenger transport by sea, catering services, as well as package holidays purchased from tour operators. A significant effect also came from the increase in television subscription fees. Meanwhile, the largest downward effect on the overall price level came from the 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 July 2025, compared to July of the previous year, consumer prices increased by 3.8%. Average annual inflation was 2.9%.

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 is expected to be around 3.5%.