

On Consumer Prices in August 2025

In August, the decline in consumer prices was more moderate than in the same month in recent years, while food prices decreased, in contrast to the situation in other Baltic countries

In August, consumer prices fell, but the decline was one of the most moderate in recent years, reflecting the weaker influence of seasonal factors.

According to the latest data published by the Central Statistical Bureau, in August 2025, compared to July, the consumer price level decreased by 0.2%. Prices for goods fell by 0.4%, while prices for services rose by 0.3%.

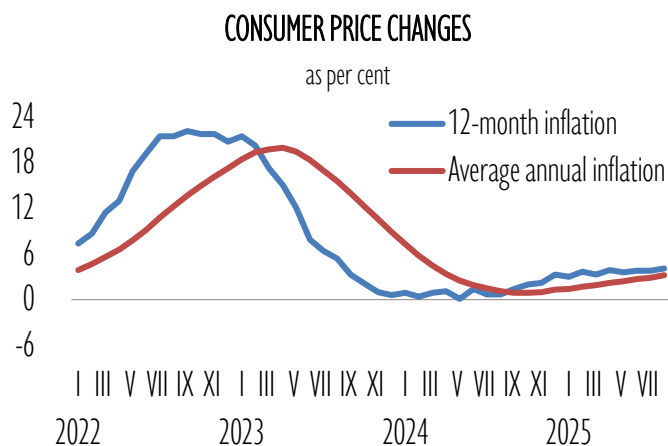
August typically sees price decreases due to seasonal factors. This year, the usual monthly price adjustments were observed, but the decline was more moderate than in the previous two years. Inflation in August was mainly influenced by cheaper alcoholic beverages, a decline in fuel prices driven by lower global oil prices, a more moderate-than-usual drop in food prices, as well as increases in prices for personal care products, electricity, and services. Food price dynamics continued to be shaped by both global food price increases for certain products and local seasonal and weather factors, which reduced supply and slowed the typical seasonal price decline. While food prices fell in Latvia, they rose in Estonia and remained stable in Lithuania. This contrast among the Baltic countries indicates a relative easing of price pressures in Latvia and suggests a possible positive effect of the memorandum concluded at the end of May, which contributed to continued decreases in prices of essential goods in August. The goods included in the memorandum saw a slightly faster price decline than the food group overall. Meanwhile, the typical monthly drop in clothing and footwear prices was the smallest in recent years, having only a minor impact on the overall price level.

Within **the goods sector**, the largest downward effect came from alcoholic beverages, which fell by 3.1%, lowering the overall consumer price level by 0.15 percentage points. This was the steepest monthly decline for alcoholic beverages since March 2014, largely due to traders' reactions to reduced sales risks following the alcohol sales restrictions introduced on 1 August, with base price adjustments made to maintain sales volumes. Prices fell for all types of alcoholic beverages, with the most significant impact on spirits and beer.

Fuel prices also had a notable impact, falling by 2.1%, which reduced the overall consumer price level by 0.1 percentage point. Petrol prices fell more rapidly than other fuel types.

Oil prices declined in August. The average monthly Brent crude price fell by about 3% compared to July, ending the month 6% lower than at the end of July. This was driven by OPEC+'s decision to significantly increase production, fully reversing the 2023 cut, and by rising concerns over a global oil surplus, which maintained downward pressure on prices. For most of the month, Brent traded between \$65 and \$68 per barrel, reaching a near three-month low. Temporary upward pressures came from falling US oil inventories and rising geopolitical tensions linked to the Russia-Ukraine conflict and US-India trade disputes. However, these factors were outweighed by signs of weaker demand in China, the end of the US summer driving season, and forecasts of a market surplus through 2026. As a result, investor sentiment remained cautious in August, with market attention focused more on supply risks than on demand support.

Prices for food and non-alcoholic beverages fell by 0.3% in August, reducing the overall consumer price level by 0.1 percentage point. Traditionally, food prices decline sharply in August, but this year



the decrease was more moderate. The largest downward effect came from fresh vegetables, fresh fruit, potatoes, dried, salted or smoked meat, and milk, while the largest upward effect was observed for cheese, cottage cheese and other dairy products, bread, and chocolate.

Global food prices remained practically unchanged during August, but rose by 6.9% year-on-year compared to August 2024. The decline in cereal and dairy prices was offset by increases in meat, sugar, and vegetable oils. The vegetable oil price index reached its highest level since July 2022, driven by higher prices for palm, sunflower, and rapeseed oils due to strong import demand and reduced supply, outweighing a small drop in soybean oil prices caused by the expected bumper global soybean harvest in the 2025/2026 season. The meat price index hit a new record in August, driven by rising beef and mutton prices, which offset stable pork prices and falling poultry prices. Beef prices reached an all-time high due to strong demand from the US and China, while mutton prices rose for the fifth consecutive month because of limited supplies from Oceania. Pork prices remained stable, while poultry prices fell amid ample supply in Brazil and import restrictions from some trading partners. Sugar prices edged up slightly after five months of decline, influenced by concerns about Brazil's harvest prospects and growing global import demand, particularly from China, though favourable weather and expected higher harvests in India and Thailand limited the increase. Dairy prices fell the most in August, registering a second consecutive month of decline, driven by lower prices for butter, cheese, and whole milk powder due to high availability and weak demand, especially in Asian markets. Skimmed milk powder prices, however, rose due to tight supplies and stable demand in Southeast Asia. Cereal prices fell for the fourth consecutive month, with wheat prices continuing to decline due to a bumper harvest and weak import demand, particularly in Asia and North Africa. Maize prices rose for the third consecutive month, driven by concerns over heat impacts on EU crops and higher demand for US animal feed and bioethanol.

The largest upward impact in August came from personal hygiene and beauty products. Following the end of promotions, prices for these items increased by 5.4%, raising the overall price level by 0.1 percentage point.

Housing-related energy resources also contributed to the rise, collectively increasing the overall consumer price level by 0.1 percentage point. Electricity prices rose by 2.5%, driven by higher exchange prices and tariffs linked to electricity exchange rates. This was largely influenced by lower electricity production from renewable sources and reduced availability of nuclear power in Nordic countries. Prices for natural gas remained unchanged, while thermal energy fell by 0.5% and solid fuel by 0.3%.

Service prices rose by an average of 0.3% in August, increasing the overall price level by 0.1 percentage point. Within services, the largest upward effect came from complex telecommunications services and housing rents. Prices for recreation-related services—including accommodation, catering, and combined leisure services—also contributed significantly. The largest downward effect on the overall price level came from falling passenger air transport prices. Price fluctuations in other goods and services had only a minor impact on the overall price level.

In August 2025, compared to August 2024, consumer prices rose by 4.1%, while average annual inflation reached 3.2%.

Looking ahead, price changes in Latvia will continue to be significantly influenced by global price fluctuations and developments in the world economy, particularly geopolitical factors affecting energy and food prices, as well as US tariff policies. For 2025 overall, average annual inflation is expected to remain around 3.5%.