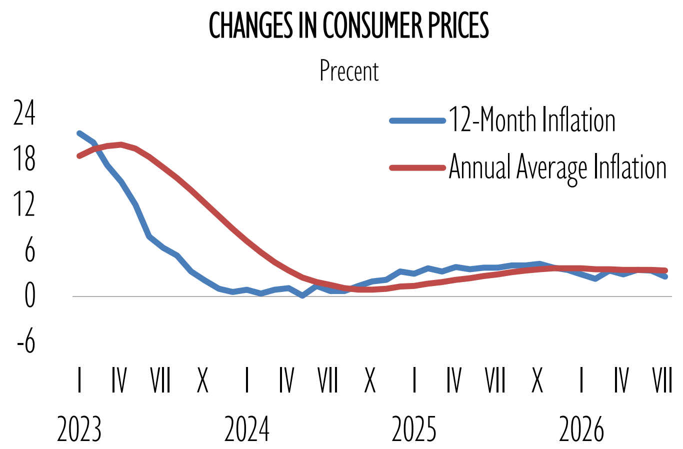
On consumer prices in July 2026

The decline in food prices had a significant downward impact on the price level in July

In July, price developments in Latvia were mainly determined by a sharp decline in food prices, the seasonal decrease in clothing and footwear prices, as well as lower fuel prices. At the same time, the overall decline in prices was partly offset by an increase in service prices.



According to the latest data published by the Central Statistical Bureau, in July 2026, compared with June, the consumer price level decreased by 0.7%. Prices of goods decreased by 1.3%, while prices of services increased by 0.7%.

This July, the decline in prices was mainly driven by lower food prices, which, in addition to seasonal factors, were significantly supported by the introduction of reduced VAT rates for certain groups of food products, as well as summer sales and lower average monthly fuel prices. At the same time, the overall decline in prices was partly offset by higher service prices, particularly in the travel and recreation segments. Prices of food and non-alcoholic beverages decreased for the fourth consecutive month in July, by 2.0%, representing the sharpest decline in July since 1999. Prices of food products included in the low-price basket decreased by 3.8% in July and by 6.1% since the Memorandum was concluded in May 2025. The decline in July was significantly supported by both the VAT reduction and seasonally lower prices of fresh vegetables. Overall, food price developments indicate easing food price pressures and also a positive impact from the Memorandum initiative.

At the same time, tensions in the Middle East intensified again in July, and the price of Brent crude oil increased sharply in the second half of the month. Although average fuel prices in Latvia still declined in July, a significant increase in prices was already observed at filling stations during the month. Despite the price declines in recent months, fuel prices in Latvia remain approximately 13% higher than in February, increasing the overall consumer price level by 0.5 percentage points. Consequently, the geopolitical situation and fluctuations in energy prices remain significant inflation risk factors and may continue to be reflected in the costs of other goods and services.

In the **goods sector**, the largest downward impact in July came from the decline in prices of food and non-alcoholic beverages, by 2.0%, which reduced the overall consumer price level by 0.5 percentage points. The decline in prices was significantly influenced by the reduction of the VAT rate from 21% to 12% as of 1 July for bread, milk, poultry meat and eggs. The decline in the prices of these products reduced the overall consumer price level by approximately 0.3 percentage points, and the actual impact was close to that previously forecast, indicating a high pass-through of the VAT reduction to consumer prices. A significant downward impact also came from lower pork prices and the seasonally typical decline in fresh vegetable and fruit prices, while potato prices increased seasonally.

Global food prices increased by 0.6% in July following a slight decline in the previous month and were 1.0% higher than a year earlier. Prices of sugar, cereals and vegetable oils increased, while meat and dairy product prices declined. Sugar prices increased most rapidly in July, mainly due to concerns about the impact of hot and dry weather on harvests in the European Union and the possible impact of El Niño on production in Asia, as well as expectations of stronger demand for bioethanol in Brazil. Following a decline in June, cereal prices increased again, mainly due to higher wheat prices, driven by concerns over disruptions to export flows from the Black Sea region and damage to export infrastructure, as well as the impact of heatwaves on harvests in several major producing countries. Vegetable oil prices continued to rise and reached their highest level since June 2022, mainly due to higher palm and soybean oil prices, supported by strong demand for biofuel production and higher oil prices. Meat prices declined in July for the first time this year, with price decreases recorded across all major meat categories except mutton. This was mainly due to greater supplies of poultry and pork and weaker demand for beef in Asia. Dairy product prices continued to decline, mainly due to lower prices of butter and milk powders amid higher supply, while cheese prices increased slightly.

As summer sales continued, clothing and footwear prices decreased by 3.7% in July, reducing the overall consumer price level by 0.2 percentage points. This year, the decline in prices was one of the most moderate recorded in July since 2003 and was equivalent to that observed in 2020.

A downward impact in July was also maintained by the decline in fuel prices, by 3.5%, which reduced the overall consumer price level by 0.1 percentage points. Average monthly prices decreased for both diesel and petrol, with a sharper decline in diesel prices. At the same time, fuel prices at filling stations increased significantly during the month, following the sharp increase in Brent crude oil prices in the second half of July.

The average monthly price of Brent crude oil decreased by approximately 1.4% in July compared with June; however, prices rose sharply during the month, and by the end of July the price was approximately 24% higher than at the end of June. At the beginning of the month, the Brent price stood at around USD 70–74 per barrel, amid continued expectations of normalisation in oil supplies and increasing supply from Middle Eastern countries. However, prices rose sharply in the second half of the month as the conflict between the United States and Iran intensified again and concerns grew over supply disruptions in the Strait of Hormuz and the Red Sea. Additional pressure came from attacks on oil transport infrastructure in the Black Sea region and lower oil inventories in the United States. By the end of July, the Brent price had risen to approximately USD 90 per barrel, significantly exceeding the level observed at the beginning of the month.

Driven by sales, prices of appliances, articles and products for personal care also declined in July, by 3.4%, reducing the overall consumer price level by 0.1 percentage points.

Service prices increased by 0.7% overall in July, raising the overall consumer price level by 0.2 percentage points. The largest upward impact came from higher prices of passenger air transport and package holidays, mainly due to seasonally high demand during the summer travel and holiday period. By contrast, accommodation service prices decreased for the second consecutive month.

Price fluctuations in other groups of goods and services did not have a significant impact on the overall price level during the past month.

In July 2026, compared with July of the previous year, consumer prices increased by 2.6%. The average annual inflation rate was 3.4%.

Going forward, price developments in Latvia will continue to be largely determined by fluctuations in global energy and food prices, as well as geopolitical developments and the performance of the global economy. At the same time, inflation in Latvia will continue to be influenced by revisions to regulated tariffs and tax changes, as well as by demand-side factors supported by wage growth. The renewed increase in oil prices in July and persistently high geopolitical uncertainty continue to pose upside risks to energy prices. Overall, average annual inflation in Latvia could be in the range of 3 - 4% in 2026.