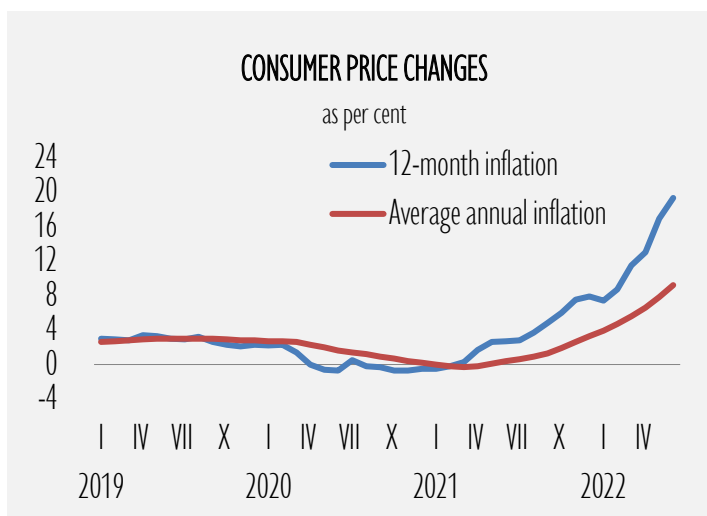


## On Consumer Price Changes in June 2022

**In June 2022, consumer prices continue to accelerate**

According to the Central Statistical Bureau (CSB), in June 2022, compared to May 2022, the level of consumer prices increased by 2.4%. It rose by 2.7% and 1.5% for goods and services, respectively.

The month of June is characterized by an increase in prices, which is traditionally determined by the rise in consumer prices for food products. However, in June 2022, prices increased significantly more than typical for this month, which continued to be affected by the rapid increase in prices for food and energy resources.



In June 2022, the largest positive effect provided the increase in food prices, which was influenced by already rapidly rising world prices and Russia's invasion of Ukraine. In Latvia, the prices of food products increased by 3%, thus elevating the overall consumer price level by 0.8 percentage points. In particular, the largest impact yielded the rise in prices of dairy products, bread and cereals, meat and coffee, as well as the fall in prices of fresh vegetables. It should be noted that world food prices fell in June for the third consecutive month; however, prices still remain elevated due to the ongoing war in Ukraine. In June 2022, world food prices decreased by 2.3% during the month. The price drop in June was determined by a sharper drop in the prices of vegetable oils, cereals and sugar. Nevertheless, the prices of milk and meat rose. The decline in prices for vegetable oils continued to be mainly driven by more moderate global import demand due to high prices, as well as seasonally increasing production volumes in major producing countries and the prospect of increased exports from Indonesia, the world's leading palm oil exporter. Meanwhile, world wheat prices fell 5.7% after hitting a near-record high in May, affected by seasonal availability, improved crop conditions in some major producing countries and slower global import demand. By contrast, in June 2022, after a decline in May, prices for all dairy products rose, boosted by increased import demand for immediate deliveries amid market concerns regarding supply availability later in the year, as an early summer heat wave further weighed on already low milk output in Europe.

In June 2022, prices continued to rise for housing-related energy resources. The price of electricity increased by 11.4%, solid fuels - by 9%, and heating energy - by 1.6%, which overall elevated the consumer price level by 0.6 percentage points.

In June 2022, compared to April and May, fuel prices increased more rapidly - by 7.2%, increasing the overall consumer price level by 0.5 percentage points. The high price of fuel continues to be affected by the rise in world oil prices. After a decline in April, in May and June, world oil prices rose. In June, during the month, world oil prices increased by 5.6% on average. Brent crude rose to \$124 a barrel in the first half of the month, driven mainly by news of the EU's agreement to impose a partial embargo on Russian oil and expectations of an increase in oil demand in China as it recovers from lockdowns. In the second half of the month, the price of oil fell, declining to \$109 a barrel at the end of the month, and continued to fall sharply in early July, fuelled by concerns about a fall in oil demand in connection with a possible economic recession, following decisions by central banks to raise interest rates to fight rising inflation, and the decision of OPEC+ to continue increasing oil production also in August.

In June 2022, prices for services increased by 1.5%, elevating the overall consumer price level by 0.4 percentage points. The largest positive effect was observed in price increases for catering services, water supply and sewerage services, complex leisure services, and passenger transport.

In June 2022, prices for clothing and footwear declined by 1.6% due to discounts and sales, which reduced the overall consumer price level by 0.1 percentage point.

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

In June 2022, compared to the corresponding month last year, consumer prices increased by 19.3%. Average annual inflation was 9.2 percent.

It is anticipated that price changes will continue to exceed the level of seasonal fluctuations in the coming months. The main influence on price changes will continue to be related to the increase in world prices for energy resources and food, which will be largely influenced by geopolitical tensions in the region related to Russian aggression in Ukraine. Their downstream effect on the prices of industrial goods and services is also forecast. It is anticipated that in 2022 the average annual inflation could reach 15 percent.