DECEMBER
2025

ENERGY INFLATION IN LATIN AMERICA AND THE CARIBBEAN (IE-LAC)

olacde
ORGANIZACIÓN LATINOAMERICANA Y CARIBEÑA DE ENERGÍA

LAC closes the year 2025 with zero monthly energy inflation

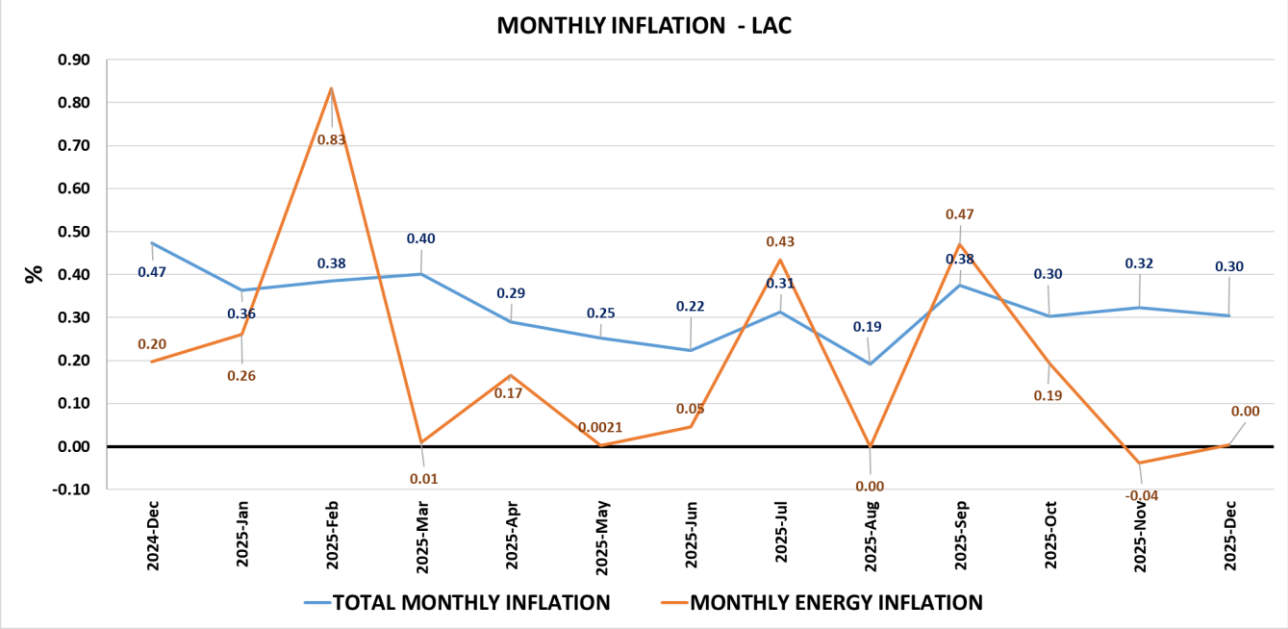
The Latin American and Caribbean Energy Organization (OLACDE) presents the monthly Energy Inflation for Latin America and the Caribbean (IEM-LAC) for December 2025.

1. Monthly energy inflation (MEI)

The EMI[1] for the region in December 2025 was zero; however, this represents an increase compared to the previous month, when it recorded a negative value (-0.04%). Out of the 20 countries analyzed, 9 recorded positive monthly energy inflation during the reported month, while for the remaining 11 this indicator was negative or zero. The increases in monthly energy inflation in the region are mainly due to the reduction of fuel and electricity subsidies, while downward variations generally respond, on the one hand, to declines in fuel prices when these are indexed to international oil prices, and on the other hand to an increase in the supply of renewable electricity generation, such as hydropower, which leads to a reduction in the marginal operating costs of the power generation fleet. The increase in precipitation levels in some countries in the region during December 2025 could be supporting this assertion.

In contrast to monthly energy inflation, **total monthly inflation** decreased in December 2025 compared to the previous month, falling from 0.32% to 0.30%. This indicates a decline in the consumer price indices of non-energy categories, such as food, clothing, health services, drinking water, education, and others.

Figure 1. Monthly Inflation Trends in Latin America and the Caribbean (LAC)



Source: Own elaboration based on the information of the Institutes of Statistics and Central Banks of OLADE Member Countries.

[1]Monthly energy inflation is the variation in the Consumer Price Index (CPI) of the energy basket from one month to the previous month.

2. Energy prices

Figure 2 shows the comparison between the historical evolution of the International Fuel Price Index (IPIC) and the Index of Variation of Monthly Energy Inflation in Latin America and the Caribbean (IIEM), using January 2023 as the base month.

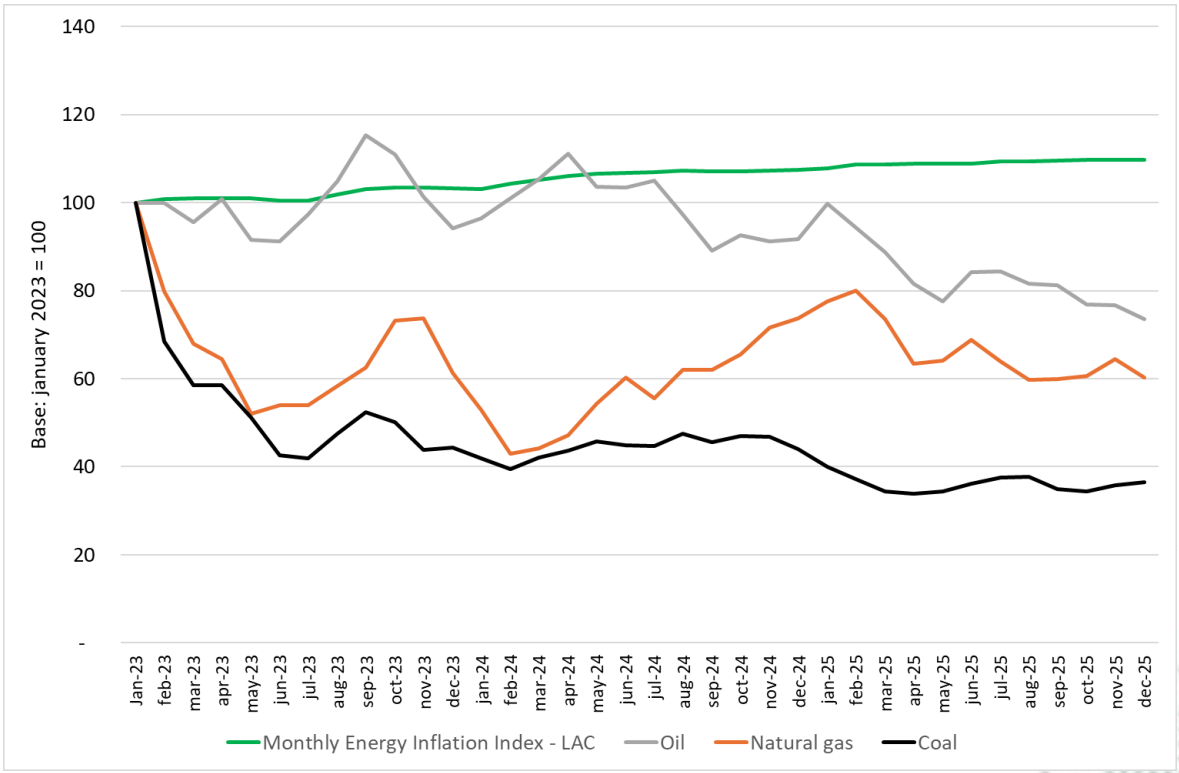
As can be seen, the evolution of the IIEM of LAC is completely decoupled from the trajectory of the IPIC during the analysis period. While the region's IIEM maintains a steady upward trend throughout the period, the IPIC indices exhibit an irregular pattern, with recurrent upward and downward fluctuations, although with a net negative variation. This shows that the IIEM of LAC depends more on national policies of pricing to the final consumer of energy than on the international situation, with national tax and energy subsidy regimes being the main determinants of its variation.

As for the IPIC, oil, there was a clear downward trend throughout the second half of 2025, as WTI prices decreased during this period, due to a greater increase in supply compared to demand.

The IPIC of natural gas decreased in the last month of last year, despite the increase in the Henry Hub price. This means that the increase in this price between October and November 2025 was greater than the increase between November and December of the same year. Increases in natural gas prices are generally due to higher demand during the winter months in countries of the Northern Hemisphere.

Regarding coal, both international prices and the IPIC experienced increases in the last quarter of 2025, due to higher demand for electricity and heating during the winter season, as well as a reduction in supply resulting from climate regulations.

Figure 2: Contrast between Monthly Energy Inflation in LAC and International Fuel Price Index (IPIC)



Source: OLACDE, FMI (https://www.imf.org/en/Research/commodity-prices)

Concept	Unit	dec-23	dec-24	dec-25
Total monthly inflation	%	0.49	0.47	0.30
Monthly energy inflation	%	-0.24	0.20	0.00
WTI price monthly variation	%	-7.45	0.24	-4.10

Source: OLACDE, OPEC

3. Annual energy inflation.

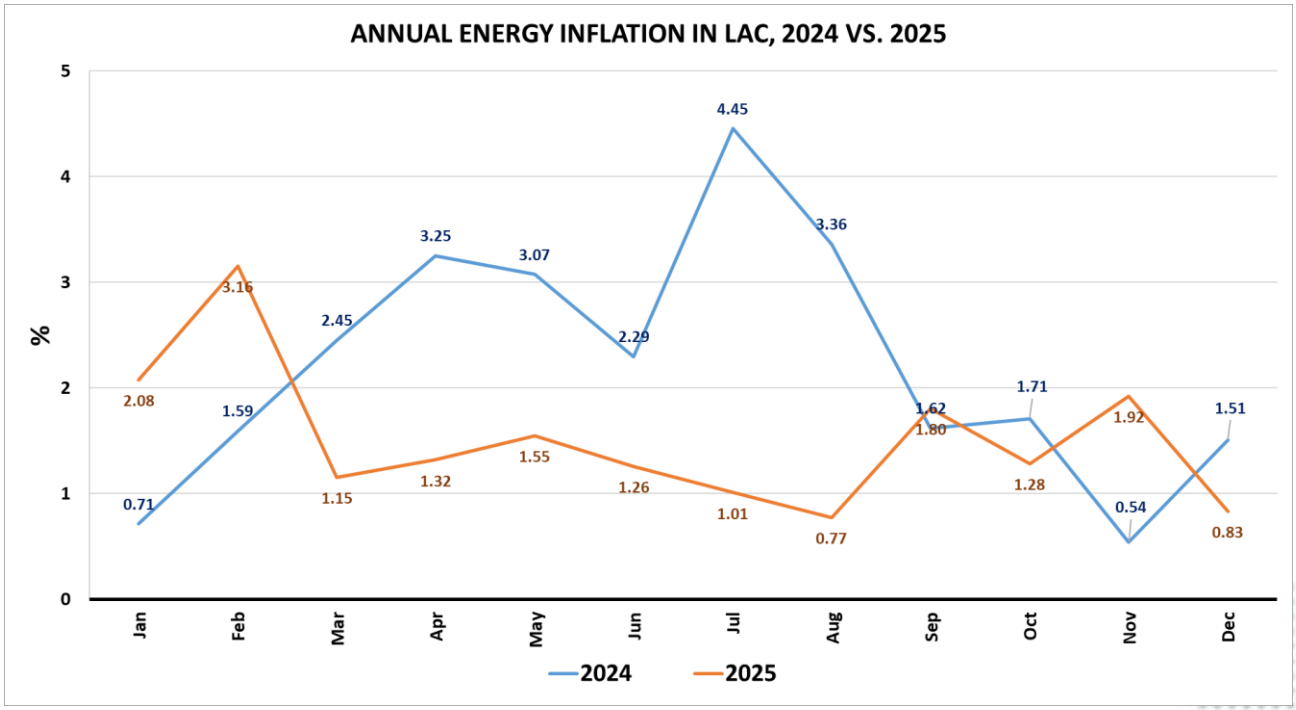
Comparing annual energy inflation in LAC in 2025 with that of 2024 (Figure 3), it can be observed that in 2025 the indicator showed a smaller range of variation than in the previous year and a general downward trend during most of the year, resulting in a net reduction of 6% between January and December.

By comparison, 2024 recorded a wider range of variation, with a marked upward trend during the first seven months, reaching a peak value in July. Subsequently, the indicator experienced a significant drop to a low in November and a recovery towards December. However, between January and December 2024, annual energy inflation recorded a net increase of 113%.

Consequently, this comparison suggests that the consumer price indices for the energy basket in LAC showed greater volatility in 2024 than in 2025.

It should be noted that, at the end of 2025, annual energy inflation was almost half of that recorded in 2024, but almost double that observed in 2023 (0.46%).

Figure 3: Comparison between Annual Energy Inflation in LAC, 2025 vs. 2024



Source: Own elaboration based on the information of the Institutes of Statistics and Central Banks of OLACDE Member Countries.