

## **Inflation rate reached 2.8% in 2007 Consumer price indices – December 2007**

**The consumer price level in December increased compared with November by 0.5%. The fast growth of food prices had a strong upward effect on the consumer price level, month on month. The year-on-year rise in consumer prices accelerated to 5.4% in December from 5.0% in November 2007. The average year-on-year inflation rate reached 2.8% in 2007.**

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The **month-on-month** increase in the consumer price level by 0.5% owed mainly to the price rise in 'food and non-alcoholic beverages', in which especially prices of fruit rose by 8.0%. The price increase in some kinds of food continued even though with markedly lower intensity than in the previous month. The main upward pressure came from the rise in prices of bread and cereals by 2.6%, of which prices of bread rose by 5.6%. Prices of eggs, cheese, yoghurts and other dairy products increased by 4.4%, 1.4%, 2.3% and 3.8%, respectively. Prices of edible oils and vegetable fats rose by 4.0% and 2.5%, respectively. Prices of chocolate and chocolate-based products, confectionery without chocolate and confectionery products were higher as well (1.7%, 1.3% and 2.3%, respectively). Prices of some ingredients, coffee and cocoa went up, too. The price growth in 'transport' was influenced by the increase in prices of automotive fuel by 0.8% (in which prices of diesel oil rose by 2.9% and LPG by 3.0%) and the increase in monthly average train fare prices by 8.5%. In 'restaurants and hotels', especially prices of meals provided by restaurants and prices of beer were higher (by 0.7% and 2.2%, respectively).

Prices of goods in total increased by 0.6% and prices of services by 0.3%.

In terms of the **year-on-year** comparison, in December 2007, the increase in consumer prices was 5.4%, i.e. 0.4 percentage point up compared to November 2007. This is the highest year-on-year growth since August 2001. The acceleration in the price growth came mainly from prices in the division 'food and non-alcoholic beverages', 'alcoholic beverages, tobacco', 'transport' and 'restaurants and hotels'. In food, prices of bread and cereals rose by 20.5% (from 18.0% in November), of which prices of bread increased by 34.6%, rolls and baguettes by 25.3% and wheat flour by 49.6%. Prices of eggs were higher by 31.3%, milk by 30.8%, cheese by 25.5%, unsalted butter by 41.5% and edible oils by 22.2%. In 'alcoholic beverages, tobacco', prices of tobacco products rose by 29.0% (from 28.5% in November) and prices of beer by 6.6% (from 5.5% in November). In 'transport', the acceleration of price growth came from the automotive fuel prices, which were 12.0% up in December (from 9.7% in November). In a public catering, prices of meals provided by restaurants went up by 3.7% (from 3.2% in November) and prices of beer by 8.1% (from 6.5% in November).

In housing, net actual rentals increased by 9.6%, of which for dwellings with regulated rentals by 17.1%, while for dwellings with market rentals a 0.3% drop was recorded. Prices of water supply, sewerage collection, electricity and natural gas were higher by 6.7%, 5.5%, 7.9% and 3.6%, respectively.

Compared with 2006, prices of devices and household appliances were lower by 2.1%, prices of transport vehicles by 0.9% and prices of audio-visual and photographic equipment and data processing equipment by 12.5%. In food, mainly prices of potatoes, pork and sugar were lower, year-on-year, (by 37.6%, 2.9% and 2.5%, respectively).

Prices of goods in total grew by 6.5% and prices of services by 3.6%.

Inflation rate, i.e. the increase in the **average consumer price index in the twelve months to December 2007** compared with the average CPI in the previous twelve months, stood at 2.8% in December (0.3 percentage point up compared with 2006). The higher growth of prices was influenced primarily by the price development in the divisions 'food and non-alcoholic beverages' and 'alcoholic beverages, tobacco'. Prices of food and non-alcoholic

beverages rose by 4.7% in 2007 (in 2006 only by 0.8%), particularly due to their fast growth in the previous three months. Compared to 2006, especially prices of bread and cereals, milk, unsalted butter, fruit and potatoes were higher (10.2%, 11.9%, 11.3%, 7.9% and 14.6%, respectively). In 'alcoholic beverages, tobacco', prices went up by 10.2% (by 1.2% in 2006) due to the price increase in tobacco products by 18.4%, which came from higher excise tax.

Prices in 'housing, water, electricity, gas and other fuels' rose only by 3.4%, while in 2006 by 6.3%. The slower growth of prices was influenced primarily by prices of natural gas, which were on average by 5.0% lower in 2007 (down on 2006). Prices of electricity went up by 7.9% (by 9.0% in 2006), heat and hot water by 2.6% (by 10.7% in 2006).

The year-on-year drop in prices was recorded for clothing, devices and household appliances, transport vehicles and audio-visual and photographic equipment and data processing equipment. Compared with 2006, prices of some kind of food (e.g. prices of pork, sausages and smoked meats, chocolate and chocolate products, cocoa and tea) fell.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices** (HICP) in the **EU 27 member states** was 3.1% in **November** (0.4 percentage point up compared to October). The highest annual rates were observed in Latvia (13.7%) and Bulgaria (11.4%), and the lowest rates in the Netherlands (1.8%) and Finland (2.1%). The growth of consumer prices in Slovakia slowed down to 2.3% in November (from 2.4% in October). In Germany, the price growth accelerated to 3.3% (from 2.7% in October).

According to preliminary calculations, the HICP in the **Czech Republic in December 2007** increased by 0.6%, **month-on-month**, and accelerated to 5.5% (from 5.1% in November), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in December 2007** was 3.1%, y-o-y, as Eurostat announced.

In December 2007, in comparison to November 2007, consumer prices grew by 0.6% in **households of pensioners** and by 0.5% in **households of employees**. Both types of households recorded a higher consumer price index for 'food and non-alcoholic beverages': households of pensioners by 1.8% and households of employees by 1.8% as well. The increase was affected particularly by higher prices of bread, other cereals (e.g. cornflakes) and eggs and egg products. Higher index was registered for 'restaurants and hotels' (0.8% for pensioners and 0.7% for employees) due to growth of prices of meals and beer in public catering in particular. On the other hand, a lower index was recorded for 'communications' (0.1% for pensioners, 0.2% for employees) primarily due to lower prices of mobile phones and telecommunication services. The consumer price index for 'miscellaneous goods and services' was down 0.1% for pensioners and 0.1% for employees too, as a result of lower prices of beauty products, electrical appliances for personal care and articles for personal hygiene.

**In the capital city of Prague**, the overall consumer price index (cost of living) grew by 0.4% month-on-month (0.5% in the whole Czech Republic). The consumer price index for 'food and non-alcoholic beverages' increased by 1.8% (1.8% in the Czech Republic as well) due to higher prices of bread, other cereals (e.g. cornflakes) and eggs and egg products. Prague registered a higher index for 'restaurants and hotels' by 0.5% (0.8% in the Czech Republic) particularly due to price increases in meals, beer and mineral water in public catering. The consumer price index for 'transport' grew by 0.4% (0.6% in the Czech Republic), affected mainly by higher prices of automotive fuel and passenger transport by railway. On the other hand, a drop occurred in 'alcoholic beverages, tobacco' by 0.4% (a growth by 0.1% in the Czech Republic) as a result of lower prices of spirit, wine and beer. The consumer price index for 'communications' decreased by 0.1% (a drop by 0.2% was recorded for the whole Czech Republic), which was affected by lower prices of telecommunication services.