

Year-on-year inflation slowed down to 6.0 %

Consumer price indices – October 2008

The consumer price level in October remained unchanged compared with September. A month-on-month development of consumer prices came from the price increase in 'housing, water, electricity, gas and other fuels' and 'clothing and footwear', which was offset by falling prices particularly in 'transport'. The year-on-year consumer price growth decelerated to 6.0 % in October (from 6.6 % in September).

The **month-on-month** consumer price level increase owed mainly to a price rise in natural gas by 10.0 % and heat and hot water by 1.9 %. In 'clothing and footwear', prices of clothing increased by 1.7 % and footwear by 1.4 % due to new collections of winter clothing and footwear. Prices of tobacco products rose by 1.0 %. In 'food and non-alcoholic beverages', primarily prices of vegetables grown for fruit were higher by 20.3 %, rolls and baguettes by 3.4 %, rice by 1.2 %, eggs by 2.2 % and tea by 2.6 %.

A downward effect on the consumer price level came from the price reduction in automotive fuel, which continued for the fourth month and amounted to 4.6 % in October. The level of Natural 95 petrol prices was the lowest since April 2007 and diesel oil prices reached the yearlong minimum. Car prices recorded a 5.6 % fall. In 'recreation and culture', the off-season prices of package holidays dropped by 2.1 %. In food, price decreases were recorded especially for apples, bread, butter and potatoes (-17.1 %, -5.4 %, -2.3 % and - 4.3 %, respectively).

Prices of goods in total increased by 0.2 %, while prices of services dropped by 0.2 %.

In terms of the **year-on-year** comparison, in October, the increase in consumer prices was 6.0 %, i.e. 0.6 percentage point down on September. This is for now the lowest year-on-year price increase recorded this year and the most notable slowdown in inflation since October 2006. This development came primarily from prices in 'transport' and 'food and non-alcoholic beverages'. In 'transport', a change was recorded for the year-on-year price development where a 2.7 % growth in September turned to a 0.7 % drop in October. It was due to prices of automotive fuel, which were lower by 0.4 % in October (+4.3% in September) on the one hand and bigger price drop for cars from 4.8 % in September to 10.2 % in October, on the other hand. In 'food and non-alcoholic beverages', the price growth of bread slowed down to 17.8 % (+21.8 % in September), flour to 26.5 % (+40.5 % in September), pasta to 8.6 % (+18.7 % in September). Prices of milk were by 2.8 % lower in October, year-on-year (+12.6 % in September) and prices of unsalted butter dropped by 21.6 % (-7.6 % in September).

An acceleration of price growth was recorded for 'housing, water, electricity, gas and other fuels', where prices of natural gas rose by 33.9 % (+27.5 % in September), electricity by 9.5 %, heat and hot water by 12.6 % and solid fuels by 16.0 %. Net actual rentals rose by 14.8 %, of which for dwellings with regulated rentals by 22.3 %, while for dwellings with market rentals by 3.1 %. Prices of tobacco products increased by 14.0 % (+13.1 % in September).

Compared with 2007, prices of clothing were lower by 0.7 %, devices and household appliances by 1.7 % and prices of audio-visual and photographic equipment and data-

processing equipment by 12.7 %. In food, prices of fruit were lower by 7.0 %, potatoes by 6.5 %, vegetables grown for fruit by 10.0 % and sugar by 4.8 %. In 'communications', prices of mobile phones decreased and so did prices of telephone and telefax services.

Prices of goods in total grew by 4.7 % and prices of services by 8.0 %. The overall consumer price index without imputed rentals was higher by 5.9 %, year-on-year.

Inflation rate, i.e. the increase in the **average consumer price index in the twelve months to October 2008** compared with the average CPI in the previous twelve months, stood at 6.6 % in October (0.2 percentage point up compared with September 2008).

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 4.2 % in **September** (0.1 p.p. down on August). The highest annual rates were observed in Latvia (14.7 %), Bulgaria (11.4 %) and Lithuania (11.3 %). The lowest rates were recorded in the Netherlands (2.8 %) and Germany (3.0 %). The growth of consumer prices in Slovakia accelerated to 4.5 % in September (4.4 % in August). In Germany, the price growth of consumer prices decelerated to 3.0 % (3.3 % in September).

According to preliminary calculations, the HICP in the **Czech Republic in October 2008** increased by 0.1 %, **month-on-month**, and decelerated to 5.7 % (6.4 % in September), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in October 2008** was 3.2 %, y-o-y, as Eurostat announced (more information at the Eurostat's web pages: [HICP](#)).

In October 2008, in comparison to September 2008, consumer prices grew by 0.3 % in **households of pensioners** and remained unchanged in **households of employees**. Both types of households recorded a higher consumer price index for 'housing, water, electricity, gas and other fuels': households of pensioners by 2.3 % and households of employees by 1.9 %. The increase was affected particularly by higher prices of natural gas and also heat and hot water. Higher index was registered for 'clothing and footwear' (1.5 % for pensioners and 1.5 % for employees as well) due to prices of ready made clothing and footwear. On the other hand, a lower index was recorded for 'transport' (2.9 % for pensioners, 3.2% for employees) primarily due to lower prices of automotive fuel and cars.

In the capital city of Prague, the overall consumer price index (cost of living) remained unchanged month-on-month (remained unchanged in the whole Czech Republic too). The consumer price index for 'clothing and footwear' increased by 1.8 % (1.6 % in the Czech Republic) due primarily to higher prices of children's ready-made clothing, men's ready-made clothing and children's footwear. Prague registered a higher index for 'alcoholic beverages, tobacco' by 0.9 % (0.6 % in the Czech Republic) particularly due to price increases in tobacco and beer. The consumer price index for 'housing, water, electricity, gas and other fuels' grew by 0.6 % (1.3 % in the Czech Republic), affected mainly by higher prices of natural gas and solid fuels. On the other hand, a drop occurred in 'transport' by 2.6 % (3.2 % in the Czech Republic) as a result of lower prices of automotive fuel and cars in particular.