

Year-on-year inflation slowed down in January

Consumer price indices – January 2010

The total consumer price level in January increased compared with December 2009 by 1.2 %. An upward effect on the consumer price level, month-on-month, came from a rise in indirect taxes and price increase mainly in 'housing, water, electricity, gas and other fuels' and 'food and non-alcoholic beverages'. In January the growth of consumer prices slowed down to 0.7 %, y-o-y, (1.0 % in December).

The **month-on-month** consumer price increase (1.2 %) was influenced by a rise in basic and reduced VAT rate from 19 % to 20 % and from 9 % to 10 %, respectively, and by an increase in excise tax on fuel and alcoholic beverages. The impact of this change on an overall increase of the m-o-m consumer price index in January amounted to a 1 percentage point growth, according to the CZSO approximate calculation.

In 'housing, water, electricity, gas and other fuels', the net actual rentals went up by 7.8 %, of which for dwellings with regulated rentals by 14.1 %, while for dwellings with market rentals by 0.2 %. Prices of heat and hot water were higher by 2.3 %, water supply by 3.8 % and sewerage collection by 4.4 %. The price rise in 'food and non-alcoholic beverages' was due mainly to a seasonal increase in prices of vegetables incl. potatoes by 17.0 % and a moderate price rise in most kinds of food. A price rise was registered primarily in 'alcoholic beverages, tobacco', prices of spirits, wine and beer (4.2 %, 1.6 % and 7.0 %, respectively) due to higher excise tax and VAT. Similarly, the rise in prices in 'transport' was influenced by higher prices of automotive fuel by 7.0 %. Prices of transport services were higher by 1.1 %. In 'restaurants and hotels', prices of meals increased by 0.9 %, beer by 3.0 % and prices in canteens by 3.1 %. In 'health', amounts paid by patients for drugs were 4.5 % up.

A downward effect on the price level came from discounts on clothing and footwear (by 3.6 % and 3.4 %, respectively) due particularly to winter sales. In 'housing, water, electricity, gas and other fuels', prices of electricity dropped by 2.5 % and natural gas by 0.6 %. In 'transport', prices of cars were lower by 4.7 %.

Prices of goods in total increased by 0.8 % and prices of services by 1.8 %.

In terms of the **year-on-year** comparison, in January 2010, the increase in consumer prices slowed down to 0.7 % (from 1.0 % in December 2009). A slowdown of the price growth came particularly from price development in 'housing, water, electricity, gas and other fuels', in which a rise in the net actual rentals slowed down to 11.7 % (from 19.4 % in December) due to their marked increase in January 2009. Regulated rentals rose by 18.5 % (from 27.6 % in December) and market rentals by 3.2 % (from 4.6 % in December). Due to the same reason the price growth in water supply and sewerage collection slowed down to 4.2 % and 4.7 %, respectively (from 9.2 % and 9.0 %).

A growth of the price level was most influenced by prices in 'transport' in January, particularly due to higher prices of automotive fuel by 28.1 %. In 'alcoholic beverages and tobacco', prices of alcoholic beverages went up by 4.4 %. Prices of both catering and accommodation services rose by 2.4 %. In 'miscellaneous goods and services', prices of social services and insurance increased (by 6.0 % and 1.1 %, respectively).

The reduction of price level came from 'food and non-alcoholic beverages' in which prices of many kinds of food remained lower, year-on-year. Prices of bread were lower by 15.5 %, rolls and baguettes by 30.0 %, flour by 27.0 %, milk by 8.9 %, edible oils by 11.7 %. In 'clothing and footwear', prices of clothing were lower by 4.2 %. In 'housing, water, electricity, gas and other fuels', prices of natural gas and electricity went down (-12.3 % and -2.7 %, respectively). In 'recreation and culture', a decrease in prices of audiovisual and photographic equipment and data-processing equipment continued (-7.3 %). Prices of mobile phones decreased and so did prices of telephone and telefax services due to discounts provided by mobile operators (-11.3 % and -2.3 %, respectively).

Prices of goods in total dropped by 0.5 %, while prices of services were higher by 2.3 %. The overall consumer price index excluding imputed rentals was 100.4 %, year-on-year.

Average inflation rate, i.e. the increase in the average consumer price index in the twelve months to January 2010 compared with the average CPI in the previous twelve months, stood at 0.9 % in January, which is 0.1 percentage point down compared with December 2009.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices** (HICP) in the **EU27 member states** was 1.4 % in **December 2009** (0.4 percentage point up on November). The highest annual rates were observed in Hungary (5.4 %) and Romania (4.7 %). A year-on-year drop was recorded for five EU member states. The biggest decrease was reported for Ireland (-2.6 %). In Germany, prices grew by 0.8 % (from 0.3 % in November). In Slovakia, the price growth was zero (the same as in November). According to preliminary calculations, the HICP in the **Czech Republic in January** increased by 1.2 %, **month-on-month**, and by 0.4 % (0.5 % in December), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in January 2010** was 1.0 %, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).