

## ANALYSIS

10 October 2016

### Consumer price indices in Q3 2016

In Q3 2016, consumer prices rose by 0.2% compared with Q2 2016. Consumer prices went up by 0.5% in Q3 2016, year-on-year, which was 0.3 percentage point up on Q2 2016.

The **quarter-on-quarter** (q-o-q) increase in consumer prices in Q3 2016 was especially influenced by a price rise in 'recreation and culture', 'transport' and 'health'. The price increase in 'recreation and culture' was caused by the rise in prices of package holidays by 9.3%. In 'transport', prices of automotive fuel went up by 2.1%. In 'health', the influence of a seasonal rise in prices of therapeutic stays at a spa persisted. A decrease in prices in 'clothing and footwear' had an influence in the opposite direction, i.e. on the price reduction. Prices of garments dropped by 2.5% and prices of shoes and other footwear by 4.0% due mainly to summer sales. A price drop in 'food and non-alcoholic beverages' came from the decrease in seasonal prices of fruit and vegetables. An average month-on-month (m-o-m) change of the overall consumer price index was 0.0% in Q3 2016. It was 0.2% in Q2 2016.

**Consumer price indices (the previous quarter = 100)**

DIVISION	2015		2016		
	Q3	Q4	Q1	Q2	Q3
TOTAL	99.8	99.5	100.4	100.5	100.2
Food and non-alcoholic beverages	98.0	99.1	100.8	99.8	99.5
Alcoholic beverages and tobacco	100.2	99.3	102.5	102.3	100.4
Clothing and footwear	97.3	105.3	96.0	103.4	97.4
Housing, water, electricity, gas and other fuels	100.1	100.2	100.3	99.9	100.0
Furnishings, household equipment and routine household maintenance	99.4	99.7	100.4	100.0	99.9
Health	100.6	99.5	100.7	101.8	100.6
Transport	100.1	97.7	97.6	101.7	100.7
Communication	99.6	99.9	99.9	100.0	100.4
Recreation and culture	102.9	97.8	102.2	98.8	102.0
Education	100.4	100.7	99.9	99.9	100.7
Restaurants and hotels	100.5	99.9	100.3	100.5	100.5
Miscellaneous goods and services	99.8	100.0	100.5	100.7	100.1

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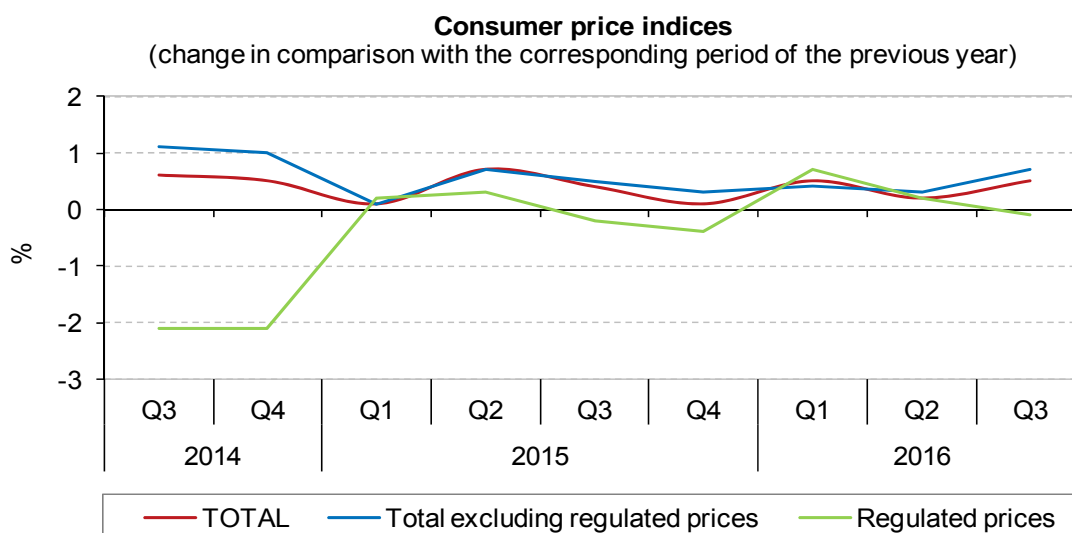
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Consumer prices rose by 0.5%, **year-on-year** (y-o-y), in **Q3 2016** compared with **Q3 2015**, i.e. 0.3 percentage point up on Q2. This development came on the one side from a slowdown in the price decline in 'food and non-alcoholic beverages' and in 'transport', and on the other side from an acceleration of the price rise in 'miscellaneous goods and services'. The growth of prices in 'communication' occurred for the first time since Q2 2007. It was due to the turn from a price decline to the rise in telephone and telefax services. In 'furnishings, household equipment and routine household maintenance', prices remained unchanged (a drop by 0.5% in Q2). A slowdown in the price growth in 'recreation and culture' worked in the opposite direction, i.e. contributed to the price level drop. It was due to a price decrease in package holidays by 0.2%.

Changes in the price development in Q3 2016 were reflected in the moderate acceleration of y-o-y increase in the market prices to 0.7% (from 0.3% in Q2). Regulated prices dropped by 0.1% in Q3 (from a 0.2% growth in Q2).



The growth of consumer prices in '**alcoholic beverages and tobacco**' came primarily from the rise in prices of tobacco products and prices of alcoholic beverages (5.7% and 3.1%, respectively). The price growth of cigarettes was partly due to the lingering excise tax increase since January 2016.

In '**housing, water, electricity, gas and other fuels**', the slowdown of the y-o-y growth was due to the decline in prices of natural gas by 6.9% (-4.7% in Q2). Electricity prices were higher by 1.2% in both the quarters (Q2 and Q3). Prices of water supply and sewage collection went up, y-o-y (1.6% and 5.3%, respectively). It was the same as in Q2. Prices of net actual rentals rose by 1.9% and heat and hot water by 1.1%.

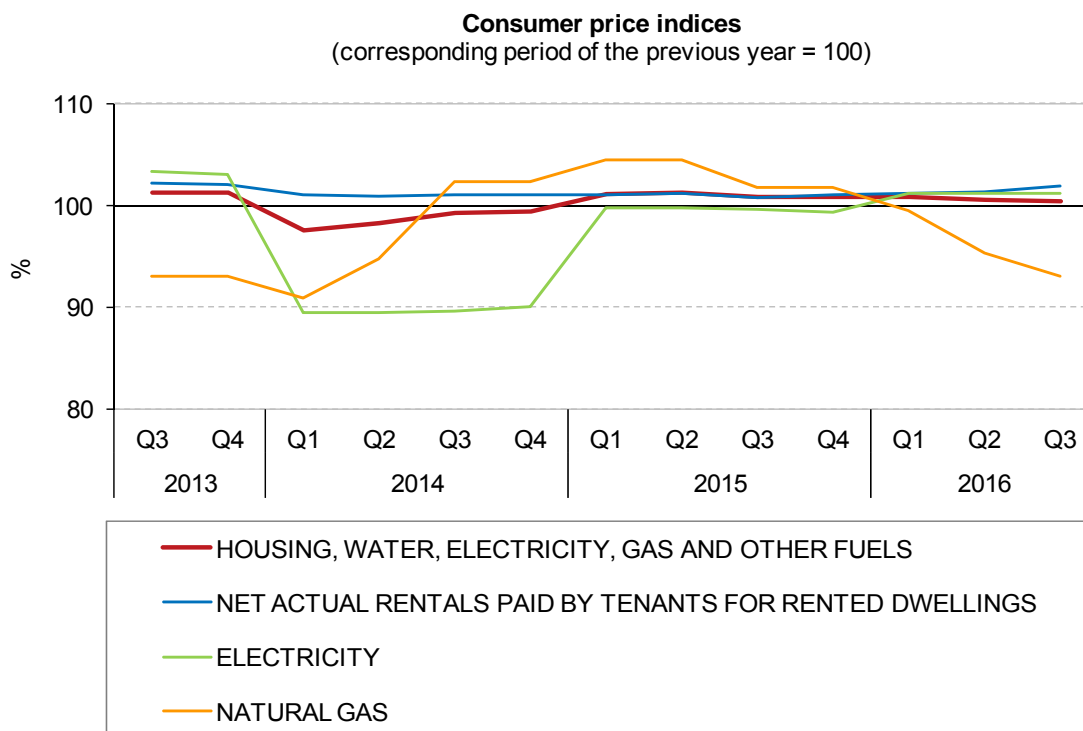
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In **'clothing and footwear'**, the acceleration in the y-o-y growth of prices in Q3 2016 came from the increase in prices of garments by 0.9% and shoes and other footwear by 4.6%.

In **'recreation and culture'**, a slowdown in the price growth was caused especially by a moderate drop in prices of package holidays by 0.2% (from a rise by 3.2% in Q2). At the same time, the long-term fall deepened in prices of equipment for the reception, recording and reproduction of sound and picture to -6.7% (from -3.2% in Q2 2016).

The reduction in the consumer price level in Q3 2016 came, as before, from prices in **'food and non-alcoholic beverages'**, which declined, y-o-y, in all quarters 2015 and the drop continued in 2016 as well. This development was influenced primarily by the decrease in the group milk, cheese, eggs, which amounted to 5.6% in Q3, of which prices of milk decreased by 11.3%, cheese by 2.3%, yoghurts by 8.5%, other milk products by 2.5%. Also for most of other basic foods the price drop continued in Q3. Prices of bread went down by 1.2%, flour by 13.6%, butter by 4.4%. Fruit prices went down by 4.8% (-3.6% in Q2). Prices of vegetables rose by 0.6%, of which potato prices by 7.5% (4.9% and 30%, respectively in Q2).

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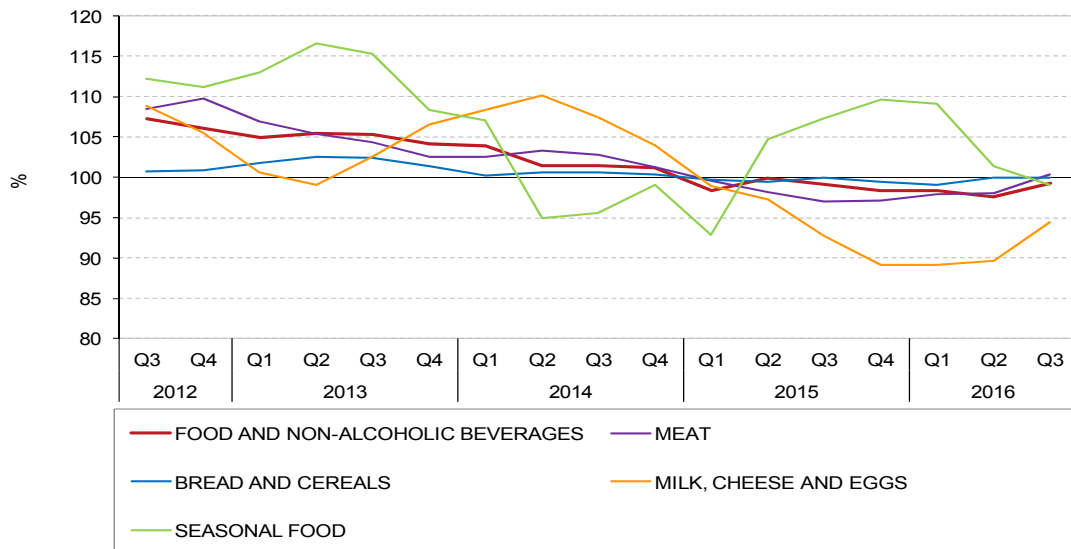
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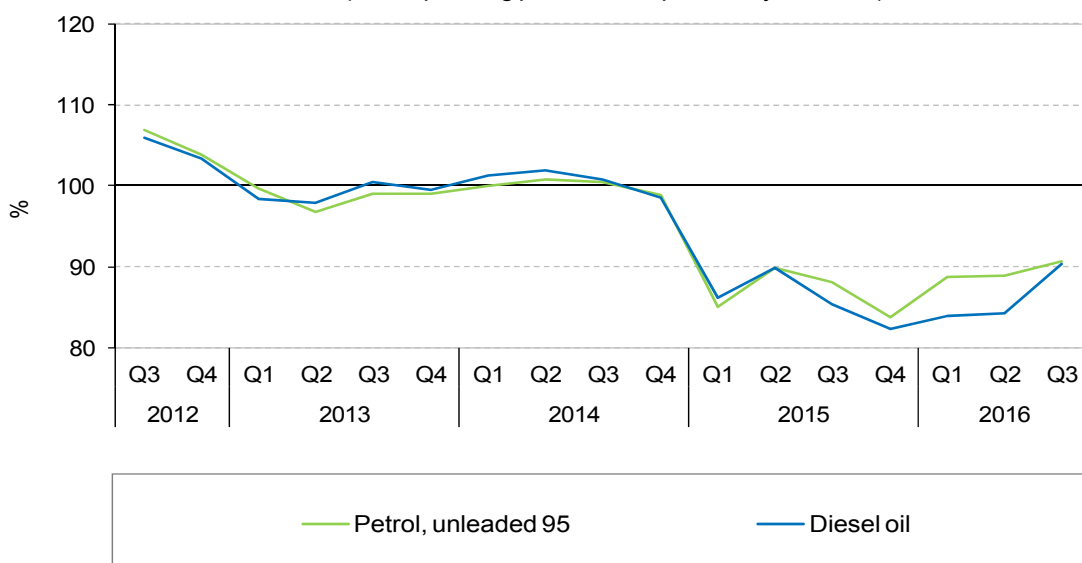
**ANALYSIS**

**Consumer price indices**  
(corresponding period of the previous year = 100)



In 'transport', the y-o-y decrease in prices, which started in Q1 2015, continued. It was due to the development in automotive fuel prices, which have been decreasing, y-o-y, permanently since December 2014. This drop culminated in November 2015 (-17.6%). The y-o-y decrease in prices of automotive fuel slowed down to -12.3% in Q2 2016 and to -9.6% in Q3. After m-o-m increase in automotive fuel prices in all three months of Q2 2016, their m-o-m decline occurred in July and August. The price growth was recorded again in September.

**Consumer price indices**  
(corresponding period of the previous year = 100)



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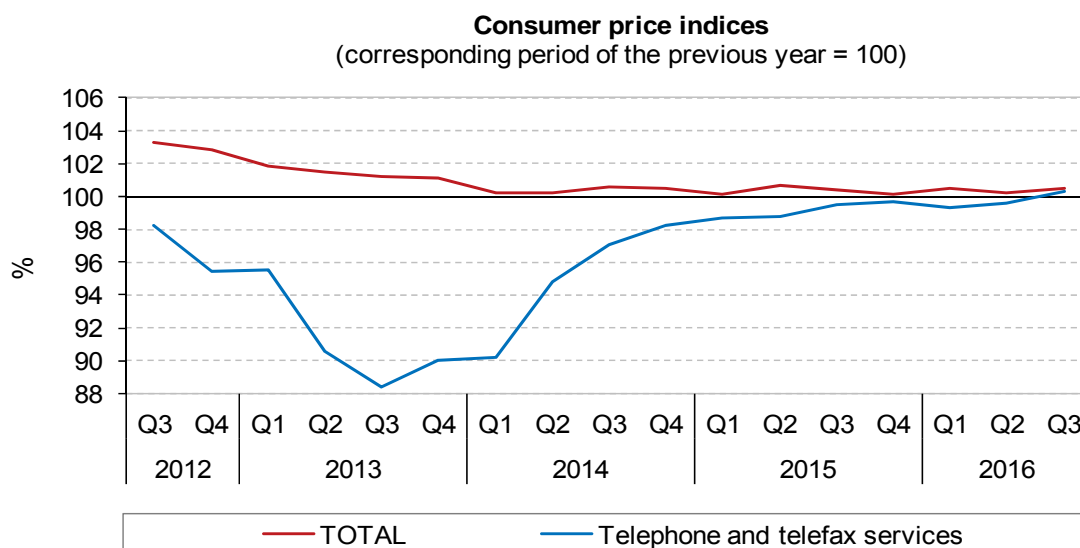
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In **'communication'**, prices have turned from a decline to a growth after 9 years. It was due to the end of the price drop in telephone and telefax services, which started to mitigate in mid 2013. These prices were higher by 0.3% in Q3 2016. Prices of postal services rose by 15.2%.



In **'health'**, the y-o-y price drop, which came from an abolition of regulatory fees for a doctor's visit and fees in the dispensing of prescription medicines since January 2015, finished starting with Q1 2016, which resulted in a price increase in this division by 2.7% in Q3.

In **'miscellaneous goods and services'**, the acceleration in the y-o-y price rise was caused by a price increase in personal care by 0.9% (0.4% in Q2) and from the price growth of financial services by 2.7% (1.9% in Q2).

In **'furnishings, household equipment and routine household maintenance'**, prices turned from a drop by 0.5% in Q2 to a y-o-y change 0.0% in Q3. It was especially due to the increase in prices of furniture and household equipment by 0.1% (a drop -0.8% in Q2).

The change in prices of **goods in total** was 0.0% in Q3 2016 (a decline -0.5% in Q2), while the rise in prices of **services** slightly accelerated to 1.4% (1.3% in Q2).

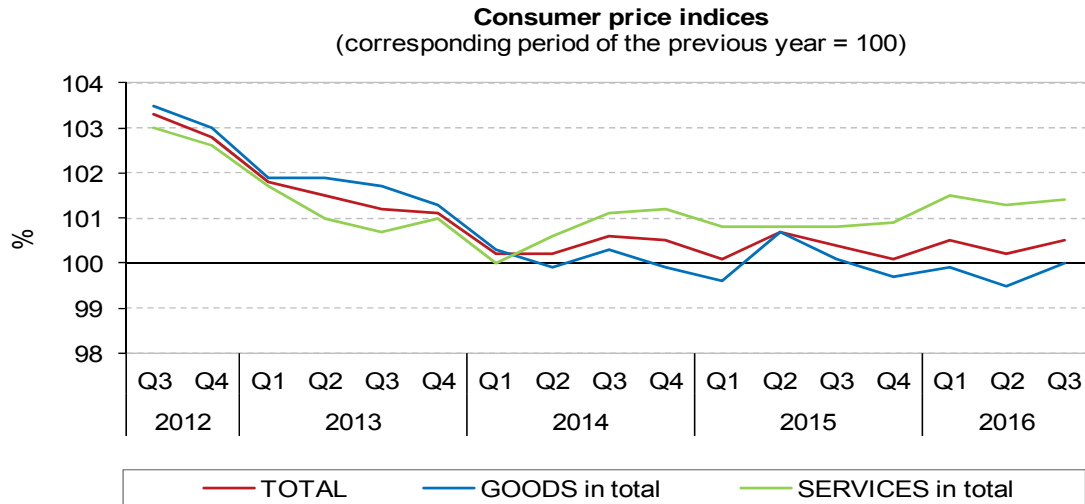
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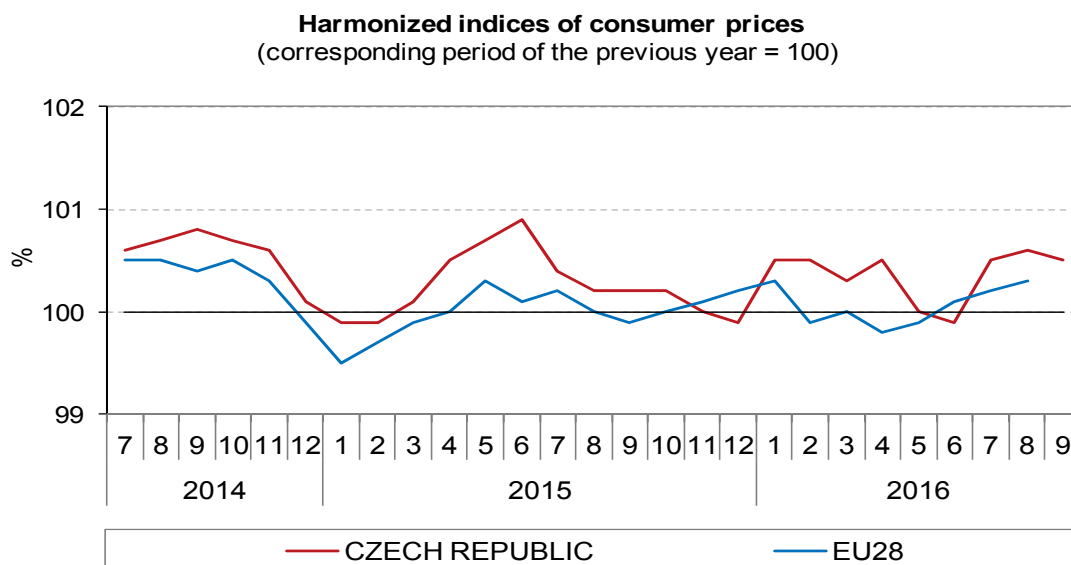
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### Harmonized index of consumer prices in the EU28

According to Eurostat data, the y-o-y change of the average harmonized index of consumer prices (HICP) in the EU28 was 0.2% in July and 0.3% in August. In the Czech Republic (CR), the y-o-y increase in the HICP was 0.5% and 0.6%, respectively, in these months. According to preliminary data, the HICP in the CR rose by 0.5%, y-o-y, in September. It can be seen in the chart below that the inflation development in the CR and in the EU was similar. Since mid 2014, the increase in the HICP in the CR was higher than the rise in the HICP in the EU28. Many EU countries recorded a y-o-y drop in the HICP in the individual months of 2015 and 2016. This development occurred in twelve countries with a decrease ranging from -0.1% (Italy, Latvia, and Hungary) to -1.5% (Croatia) in August.



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COICOP	Division	Constant weights 2014 (per mille)	2015		2016						
			Corresponding period of the previous year = 100								
			Q3	Q4	Q1	Q2	July	August	September	Q3	
<b>0</b>	<b>Total</b>	<b>1 000.0</b>	<b>100.4</b>	<b>100.1</b>	<b>100.5</b>	<b>100.2</b>	<b>100.5</b>	<b>100.6</b>	<b>100.5</b>	<b>100.5</b>	
<b>01</b>	<b>Food and non-alcoholic beverages</b>	<b>180.6</b>	<b>99.1</b>	<b>98.4</b>	<b>98.3</b>	<b>97.6</b>	<b>99.3</b>	<b>99.5</b>	<b>98.7</b>	<b>99.2</b>	
01.11	<i>Bread and cereals</i>	29.1	100.0	99.5	99.0	100.0	100.1	100.4	99.6	100.0	
01.12	<i>Meat</i>	43.4	97.0	97.1	97.9	98.0	100.1	100.4	100.6	100.4	
<b>02</b>	<b>Alcoholic beverages and tobacco</b>	<b>93.4</b>	<b>105.2</b>	<b>104.7</b>	<b>103.5</b>	<b>104.4</b>	<b>104.3</b>	<b>104.8</b>	<b>104.4</b>	<b>104.5</b>	
<b>03</b>	<b>Clothing and footwear</b>	<b>39.2</b>	<b>102.6</b>	<b>102.9</b>	<b>102.4</b>	<b>101.8</b>	<b>102.6</b>	<b>102.1</b>	<b>101.1</b>	<b>101.9</b>	
<b>04</b>	<b>Housing, water, electricity, gas and other fuels</b>	<b>251.3</b>	<b>100.8</b>	<b>100.9</b>	<b>100.9</b>	<b>100.5</b>	<b>100.3</b>	<b>100.4</b>	<b>100.4</b>	<b>100.4</b>	
04.111	<i>Net rentals paid in rented dwellings</i>	27.2	100.7	101.1	101.2	101.3	101.6	102.0	102.0	101.9	
04.511	<i>Electricity</i>	46.9	99.6	99.4	101.2	101.2	101.2	101.2	101.2	101.2	
04.521	<i>Natural gas</i>	27.5	101.7	101.7	99.5	95.3	93.1	93.1	93.1	93.1	
<b>05</b>	<b>Furnishings, household equipment and routine household maintenance</b>	<b>57.8</b>	<b>100.2</b>	<b>100.1</b>	<b>100.1</b>	<b>99.5</b>	<b>99.9</b>	<b>99.8</b>	<b>100.2</b>	<b>100.0</b>	
<b>06</b>	<b>Health</b>	<b>23.0</b>	<b>92.9</b>	<b>92.4</b>	<b>102.4</b>	<b>102.7</b>	<b>102.7</b>	<b>102.7</b>	<b>102.6</b>	<b>102.7</b>	
<b>07</b>	<b>Transport</b>	<b>100.9</b>	<b>96.2</b>	<b>95.3</b>	<b>97.3</b>	<b>97.1</b>	<b>97.5</b>	<b>97.1</b>	<b>98.4</b>	<b>97.7</b>	
07.221	<i>Fuels for personal transport equipment</i>	33.1	87.4	83.4	87.5	87.7	89.4	89.3	92.7	90.4	
<b>08</b>	<b>Communication</b>	<b>30.7</b>	<b>99.0</b>	<b>99.4</b>	<b>99.1</b>	<b>99.5</b>	<b>100.0</b>	<b>100.1</b>	<b>100.3</b>	<b>100.1</b>	
<b>09</b>	<b>Recreation and culture</b>	<b>89.6</b>	<b>101.7</b>	<b>102.2</b>	<b>102.6</b>	<b>101.7</b>	<b>100.7</b>	<b>100.7</b>	<b>100.9</b>	<b>100.7</b>	
09.60	<i>Package holidays</i>	19.8	106.6	107.2	107.4	103.2	100.4	99.0	99.9	99.8	
<b>10</b>	<b>Education</b>	<b>6.2</b>	<b>101.1</b>	<b>101.3</b>	<b>101.1</b>	<b>101.0</b>	<b>101.1</b>	<b>101.1</b>	<b>101.9</b>	<b>101.3</b>	
<b>11</b>	<b>Restaurants and hotels</b>	<b>58.1</b>	<b>101.4</b>	<b>101.3</b>	<b>101.2</b>	<b>101.1</b>	<b>101.2</b>	<b>101.2</b>	<b>101.1</b>	<b>101.2</b>	
<b>12</b>	<b>Miscellaneous goods and services</b>	<b>69.2</b>	<b>101.2</b>	<b>100.8</b>	<b>100.4</b>	<b>100.9</b>	<b>101.5</b>	<b>101.3</b>	<b>101.0</b>	<b>101.3</b>	

Elaborated by experts from the Consumer Prices Statistics Unit of the CZSO

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