

Year-on-year growth of consumer prices: 7.5%

Consumer price indices – January 2008

The consumer price level in January 2008 increased compared with December 2007 by 3.0%, which is the highest month-on-month rise since January 1998. An upward effect on the consumer price level, month-on-month, came mainly from the fast growth of prices in 'housing, water, electricity, gas and other fuels', 'health' and 'food and non-alcoholic beverages'. The year-on-year rise in consumer prices accelerated to 7.5% in January from 5.4% in December 2007, which is the highest year-on-year price growth since November 1998.

The **month-on-month** consumer price level increase by 3.0% owed mainly to administrative measures (2.9 percentage points) including primarily the price rise in 'housing, water electricity, gas and other fuels', the increase in the VAT rate from 5% to 9% and an introduction of regulated fees for services in 'health'. The rise in the VAT rate was recorded primarily for 'food and non-alcoholic beverages', 'transport', 'restaurants and hotels' and 'miscellaneous goods and services'. The impact of this change on the month-on-month increase in the consumer price index in total amounted to a 1.1 percentage point growth according to the CZSO preliminary calculation.

In housing, prices of electricity rose by 9.5%, natural gas by 7.8%, heat and hot water by 8.1%, water supply by 3.8% and sewerage collection by 3.9%. Net actual rentals increased by 11.6%, of which for dwellings with regulated rentals by 18.9%, while for dwellings with market rentals by 0.5%. In 'food and non-alcoholic beverages', further price increase was recorded for most kinds of food. An increase was reported mainly for seasonal prices of fruit and vegetables including potatoes (by 6.5% and 5.2%, respectively). Higher were so far almost stagnating prices of meat, of which prices of beef rose by 3.4%. In milk products, prices of yoghurts and other milk-based products rose (by 2.3% and 5.1%, respectively). Higher were also prices of sugar and chocolate and chocolate products (by 3.6% and 2.9%, respectively) and the same applied to prices of some ingredients and non-alcoholic beverages. In 'transport', prices of transport services increased by 7.7%, of which prices in passenger transport by road went up by 8.0% and in combined passenger urban transport by 13.2%. In 'restaurants and hotels', especially prices of meals provided by restaurants, prices in company canteens and school canteens were higher (by 1.6%, 5.4% and 6.0%, respectively). Accommodation services went up by 3.5%. In 'miscellaneous goods and services', prices in hairdressers salons and beauty salons rose by 4.8%, insurance by 2.8% and financial services by 2.5%. In 'health', the introduction of regulated fees showed markedly (effect of 0.5 percentage point on the month-on-month overall CPI increment). In 'recreation and culture', the growth of prices was influenced by the price rise in package holidays by 4.2% and an increase of TV licence fee by 12.5%.

A downward effect on the price level came from the price drop in clothing and footwear (by 3.0% and 3.5%, respectively) due primarily to winter sales of goods and lower prices of household appliances, passenger cars and photographic and cinematographic equipment. In food, prices of butter dropped by 7.8% and so did prices of rolls and baguettes and bread (by 3.0% and 2.1%, respectively).

Prices of goods in total increased by 2.0% and prices of services by 4.8%.

In terms of the **year-on-year** comparison, in January 2008, the increase in consumer prices was 7.5%, i.e. 2.1 percentage points up compared to December 2007. Further to the month-on-month development, the price growth acceleration came from prices in 'housing, water, electricity, gas and other fuels', 'health' 'transport', 'food and non-alcoholic beverages' 'restaurants and hotels' and 'miscellaneous goods and services'.

In housing, net actual rentals increased by 17.1%, of which for dwellings with regulated rentals by 29.0%, while for dwellings with market rentals by 0.3%. Prices of natural gas increased by 16.5%, electricity by 9.5%, heat and hot water by 11.4% and solid fuels by

21.3%. Water supply and sewerage collection charges were higher by 3.9%. In 'transport', prices of automotive fuel went up by 14.5% and prices of transport services by 9.6%. In food, prices of bread and cereals rose by 21.0%, eggs by 33.6%, milk by 31.9%, cheese by 23.3%, unsalted butter by 25.3% and edible oils by 26.6%. In public catering, prices of meals provided by restaurants went up by 5.2% and prices of beer by 8.1%. Prices in company canteens and school canteens were higher (by 7.2% and 8.4%, respectively). In 'miscellaneous goods and services', prices in hairdressers and beauty salons rose by 8.7% and also an impact of cancellation of funeral benefit was recorded. The only segment of the consumer basket showing a slowdown of the price growth was 'alcoholic beverages, tobacco', in which the price growth of tobacco products decelerated to 27.1% (from 29.0% in December).

Compared with 2006, prices of clothing were lower by 2.4%, prices of devices and household appliances by 1.9%, prices of transport vehicles by 1.2%, prices of mobile phones by 17.2% and prices of audio-visual and photographic equipment and data-processing equipment by 11.4%. In food, mainly prices of potatoes and pork were lower, year-on-year, (by 36.6% and 2.3%, respectively).

Prices of goods in total grew by 7.7% and prices of services by 7.1%.

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 3.2% in **December** (0.1 percentage point up compared to November). The highest annual rates were observed in Latvia (14.0%) and Bulgaria (11.6%), and the lowest rates in the Netherlands (1.6%) and Finland (1.9%). The growth of consumer prices in Slovakia accelerated to 2.5% in December (from 2.3% in November). In Germany, the price growth slowed down to 3.1% (from 3.3% in November).

According to preliminary calculations, the HICP in the **Czech Republic in January 2007** increased by 3.3%, **month-on-month**, and accelerated to 7.9% (from 5.5% in December), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for the **Eurozone in January 2008** was 3.2%, y-o-y, as Eurostat announced. In January 2008, in comparison to December 2007, consumer prices grew by 4.6% in **households of pensioners** and by 2.9% 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 7.8% and households of employees by 7.8% as well. The increase was affected particularly by higher net actual rentals, higher prices of electricity, heat and hot water and natural gas. Higher index was registered for 'health' (35.6% for pensioners and 24.5% for employees) due to an introduction of regulated fees for services in the health service, which caused the marked month-on-month increase in prices of outpatient services, hospital services and medicaments with a prescription. On the other hand, a lower index was recorded for 'clothing and footwear' (2.8% for pensioners, 3.1% for employees) primarily due to lower prices of ready-made clothing.

In the capital city of Prague, the overall consumer price index (cost of living) grew by 2.8% month-on-month (3.0% in the whole Czech Republic). The consumer price index for 'housing, water, electricity, gas and other fuels' increased by 4.3% (5.2% in the Czech Republic) due to higher prices of higher net actual rentals, higher prices of electricity, heat and hot water and natural gas. Prague registered a higher index for 'health' by 23.0% (30.7% in the Czech Republic) particularly due to an introduction of regulated fees for services in the health service, which caused the marked month-on-month rise in prices of outpatient services, hospital services and medicaments with a prescription. The consumer price index for 'miscellaneous goods and services' grew by 3.9% (3.9% in the Czech Republic too), affected mainly by higher prices of fees for legal services and administrative services. On the other hand, a drop occurred in 'clothing and footwear' by 3.0% (by 3.1% in the Czech Republic) as a result of lower prices of children's ready-made clothing, children's underwear and knitwear and women's ready-made clothing.