

ANALYSIS

9 April 2013

CONSUMER PRICE INDICES IN Q1 2013

The total consumer price level increased by 1.4% in Q1 2013 compared with Q4 2012. Consumer prices rose, year-on-year (y-o-y), by 1.8% in Q1 2013, which was 1 percentage point down on the Q4 2012.

The **quarter-on-quarter** (q-o-q) increase in the price level was contributed to in a decisive way by the price development in the month of January, in which consumer prices rose, month-on-month (m-o-m), by 1.3%. The increase in the price level was caused partly by the increase of the standard VAT rate and reduced VAT rate by 1 percentage point and partly by a growth of prices in 'food and non-alcoholic beverages' and 'housing, water, electricity, gas and other fuels' (hereinafter: housing). The impact of the higher VAT on an overall increase of the consumer price index in January amounted to a 0.8 percentage point growth, m-o-m, according to the CZSO approximate calculation. The price development was very moderate in February and March (m-o-m increase 0.1% in both months). It was influenced by prices of automotive fuel in February and food prices in March.

In Q1 2013 compared with Q4 2012, prices of most kinds of food rose. Prices of fruit (9.1%), vegetables (18.2%), of which potatoes (40.4%) went up the most. In housing, prices of water supply increased by 6.6%, sewerage collection by 7.0%, electricity by 3.3%, natural gas by 2.1% and heat and hot water by 3.9%. In 'transport', prices of automotive fuel rose in all months, m-o-m, in Q1 2013, nevertheless, they remained lower by 0.6% compared with Q4 2012. In 'recreation and culture', prices of package holidays increased due particularly to the seasonal prices of winter recreational stays.

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Consumer price indices the previous quarter = 100

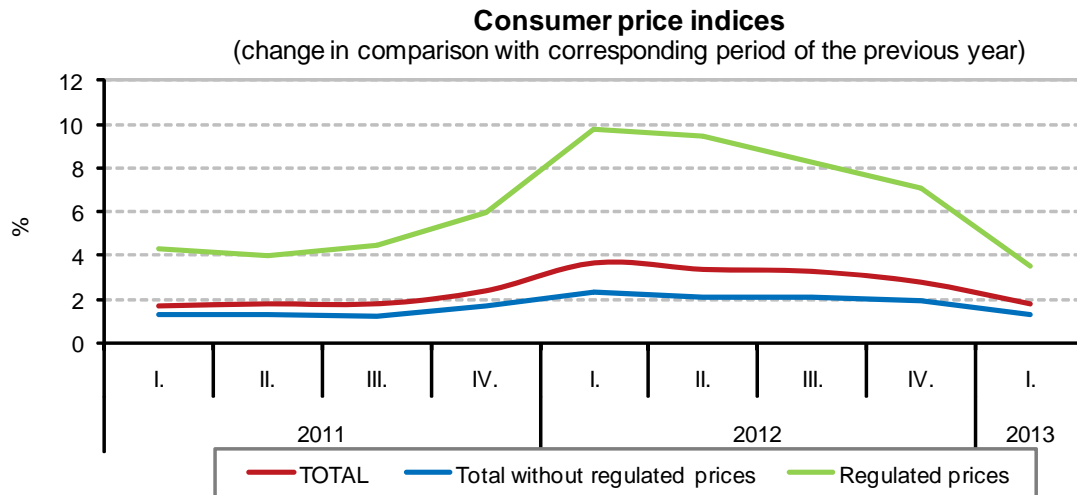
DIVISION	2012				2013
	Q1	Q2	Q3	Q4	Q1
TOTAL	102.5	100.3	100.0	100.0	101.4
Food and non-alcoholic beverages	105.1	100.8	99.0	101.2	103.8
Alcoholic beverages and tobacco	100.8	100.3	101.3	101.3	100.7
Clothing and footwear	94.5	103.5	95.6	103.6	94.8
Housing, water, electricity, gas and other fuels	103.8	100.1	100.2	99.9	102.3
Furnishings, household equipment and routine household maintenance	100.0	99.7	99.3	100.2	100.1
Health	106.2	100.3	101.9	100.1	101.1
Transport	102.3	100.4	99.6	99.1	100.2
Communication	99.6	99.7	99.1	96.9	99.3
Recreation and culture	101.3	99.7	101.6	97.3	101.3
Education	100.3	100.1	100.4	100.8	100.2
Restaurants and hotels	102.0	101.1	100.4	100.2	100.7
Miscellaneous goods and services	101.5	100.2	100.0	100.6	100.9

Consumer prices rose by 1.8%, **y-o-y**, in **Q1 2013 compared with Q1 2012**, i.e. by 1 percentage point (p.p.) less than in Q4 2012. The reason for this trend was a more significant m-o-m price growth in Q1 2012 compared with Q1 2013. The average m-o-m price growth rate was 0.5% in Q1 2013, while in Q1 2012 it was 0.7%.

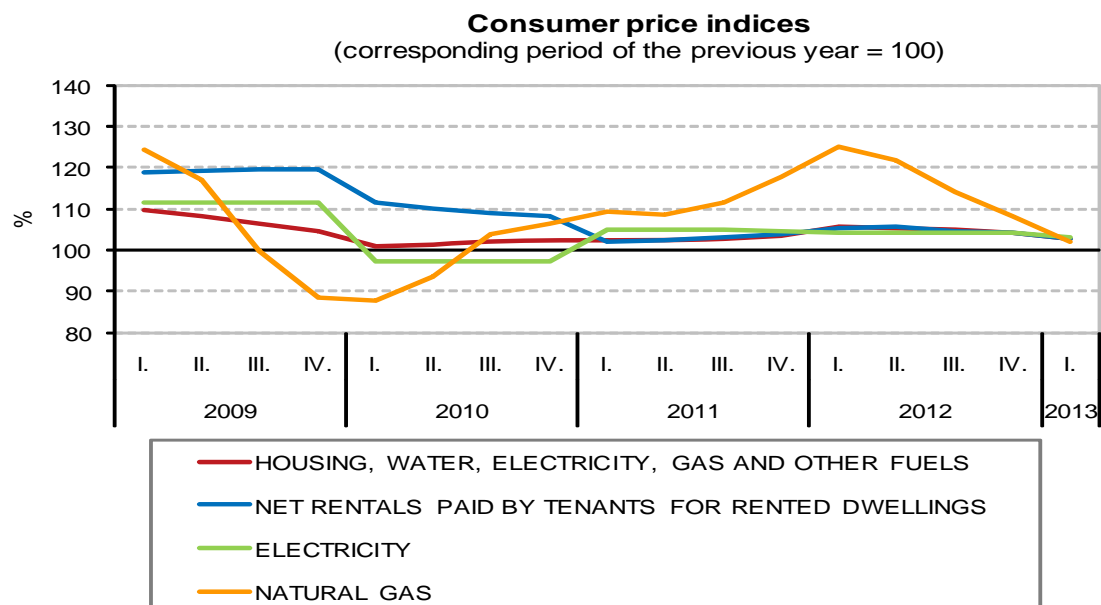
The majority of the consumer basket divisions showed deceleration in the y-o-y price increase, primarily in 'food and non-alcoholic beverages', 'housing, water, electricity, gas and other fuels', 'health' and 'restaurants and hotels'. In 'transport', prices turned from a rise in Q4 2012 to a drop in Q1 2013. In 'communication', the drop in prices deepened and thus their influence on the reduction in the price level increased. The rise in market prices decelerated to 1.3% (from 1.9% in Q4 2012) and that of regulated¹⁾ prices to 3.5% (from 7.1% in Q4 2012).

¹⁾ *Prices, which are fully or partly regulated*

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The slowdown in the price rise of regulated prices was influenced primarily by some items included in **'housing, water, electricity, gas and other fuels'**. This applied particularly to natural gas prices. The y-o-y rise in prices of natural gas declined gradually during the year 2012 and this trend continued also in Q1 2013. This development was due to the increase in prices in the second half of the year 2011 with a culmination in January 2012. At two other important items in housing – the net actual rentals and electricity – a slowdown of the price growth was slower.



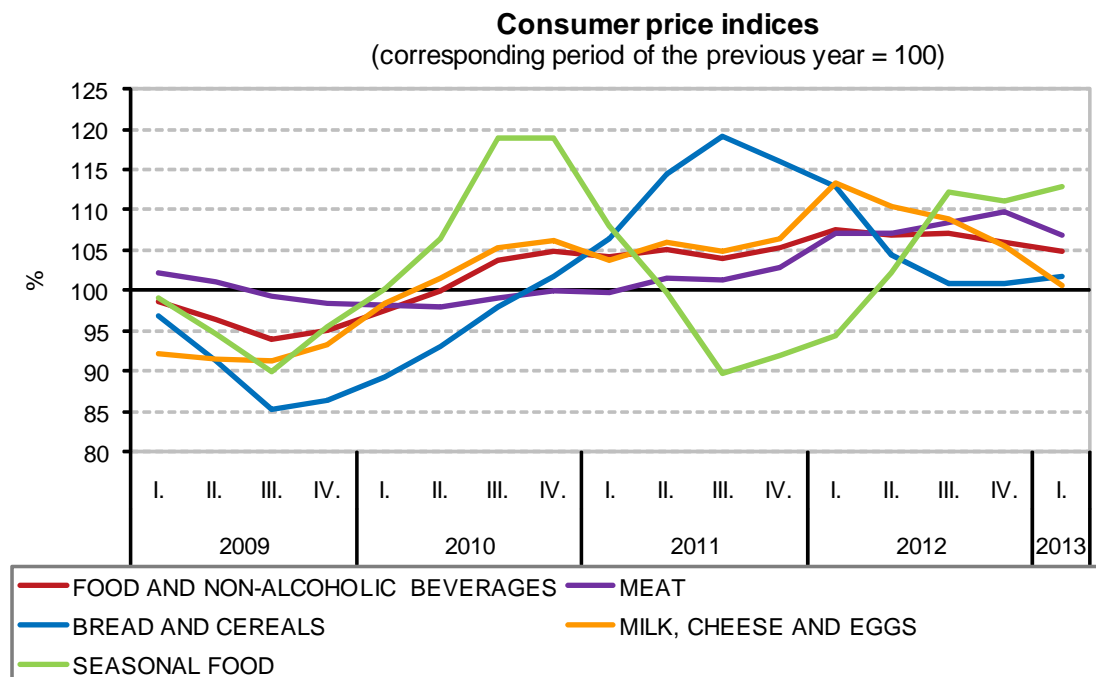
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The slowdown in the y-o-y price growth of **'food and non-alcoholic beverages'** in Q1 2013 was due to a different m-o-m price development in Q1 2013 and in Q1 2012. The average m-o-m growth rate of prices in 'food and non-alcoholic beverages' in Q1 2013 was 1.1%, while in Q1 2012 it was 1.5%. A slowdown in the price growth was shown primarily in meat, cheese, yoghurts, cocoa, coffee, tea. A turnaround in the development of prices occurred at eggs, prices of which were higher by 35.2%, y-o-y, in Q4 2012 and in Q1 2013 they recorded a y-o-y drop by 1.4%. On the other hand, prices of the following had a growing tendency: bread and cereals, fruit and vegetables. Potato prices rose by 47.3%, while in Q4 2012 it was by 17.1%.



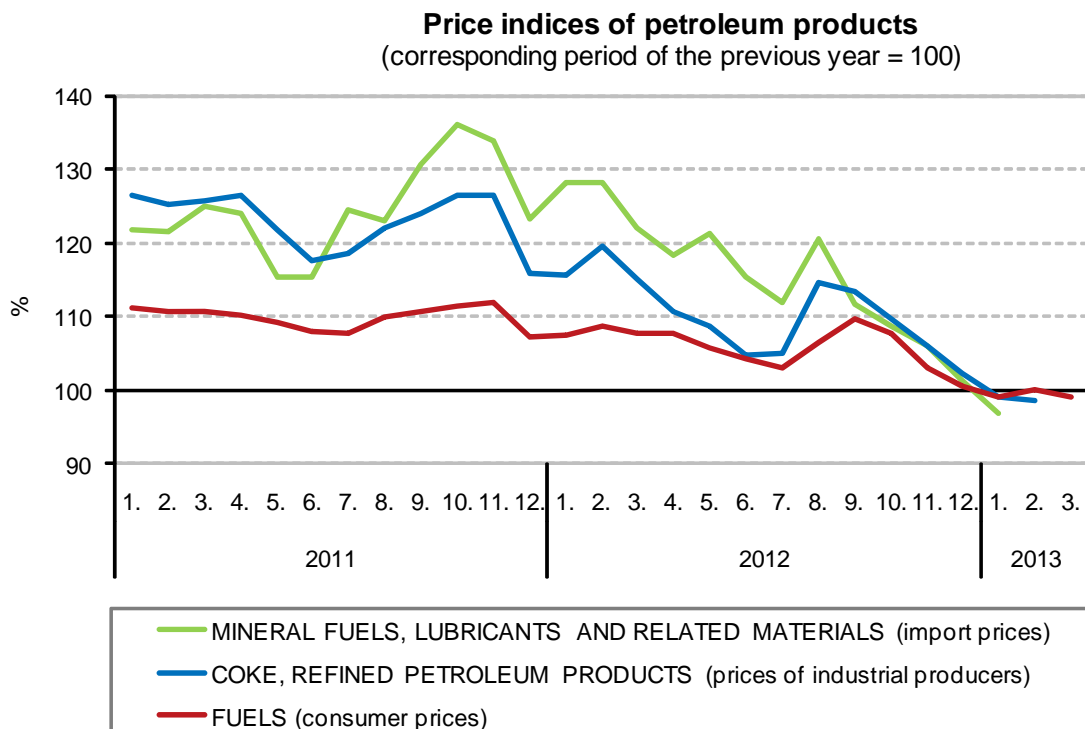
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In **'transport'**, the y-o-y drop of prices was affected particularly by fuel prices, which rose in all months of the Q1 2013, but less markedly than in Q1 2012. The average m-o-m growth rate of automotive fuel prices in Q1 2013 was 1.2%, while in Q1 2012 it was 1.7%. Prices of cars were lower than in the previous year, too: a slowdown of the price rise was recorded for transport services. The trend in consumer prices of automotive fuel in relation to the industrial producer prices and import prices of petroleum products is plotted in the following graph.



In **'health'**, the rise in prices of hospital services slowed down to 1.6% in Q1 2013 from 27.2% in Q4 2012. The y-o-y rise in prices of hospital services in 2012 was due to an increase in the regulatory fee for stay in health establishments since December 2011.

A **deceleration** of the price growth was shown also in **'restaurants and hotels'** due to a slowdown of y-o-y increase in prices of both catering services and accommodation services. The reason was again a growth of the prices in Q1 2012.

For the same reason, the y-o-y rise in prices slowed down in **'miscellaneous goods and services'**.

The **y-o-y drop** in prices continued in clothing and footwear, household appliances, mobile phones, audio-visual, photographic and information processing equipment in Q1 2013.

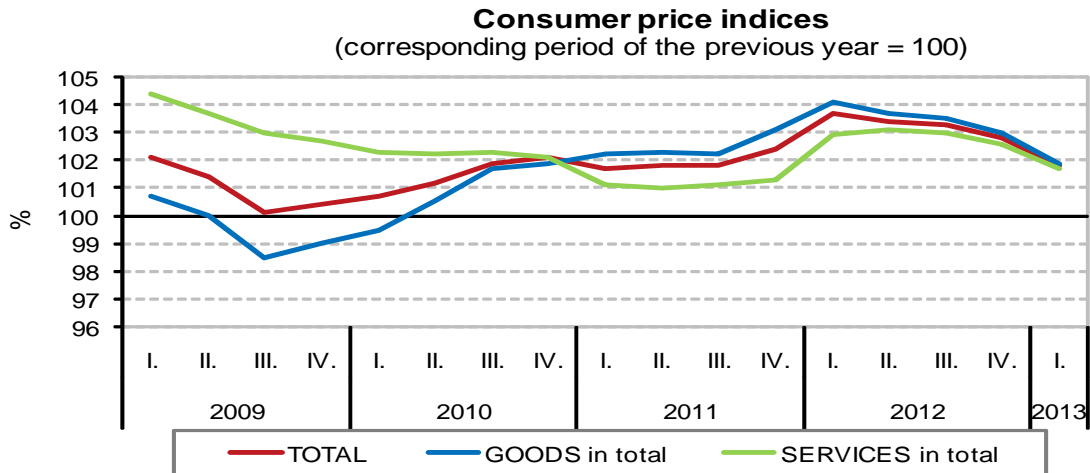
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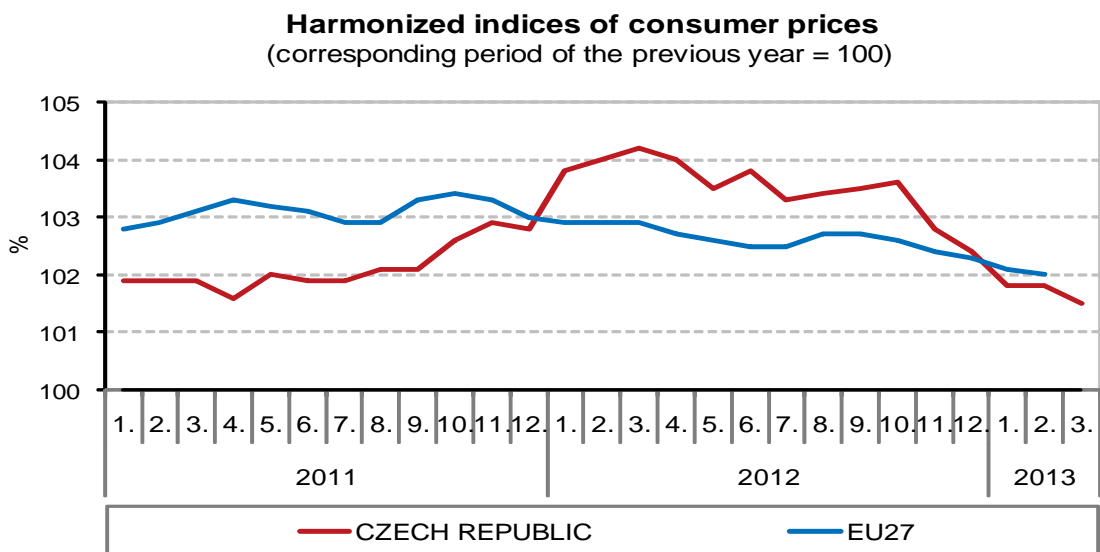
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Prices of **goods in total** rose by 1.9% (3.0% in Q4 2012) and prices of **services** by 1.7% (2.6% in Q4).



Harmonized index of consumer prices in the EU27

According to Eurostat preliminary data the y-o-y increase in the average **harmonized index of consumer prices (HICP)** in the EU27 was 2.1% in **January** and 2.0% in **February**. In the Czech Republic (CR) the y-o-y change of the HICP was 1.8% in both the months. According to preliminary data the HICP growth in the CR amounted to 1.5% in **March**. It can be seen in the chart below that the y-o-y HICP in the CR was lower than the average HICP in the EU27 member states in 2011. After a consumer prices jump in January 2012, HICP in the CR exceeded the average level of the EU. This difference started to decline in the last months of 2012 and HICP in the CR was again lower than the average of the EU in the Q1 2013.



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Consumer price indices in Q1 2013

COICOP	Division	Constant weights of 2010 (per mille)	2012				2013			
			Corresponding period of the previous year = 100							
			Q 1	Q 2	Q 3	Q 4	January	February	March	Q 1
0	Total	1000.0	103.7	103.4	103.3	102.8	101.9	101.7	101.7	101.8
01	Food and non-alcoholic beverages	149.8	107.5	106.8	107.2	106.1	105.7	105.0	104.0	104.9
01.11	Bread and cereals	23.6	112.8	104.5	100.8	100.9	102.5	101.7	101.2	101.8
01.12	Meat	35.1	107.1	107.2	108.5	109.7	106.8	107.2	106.7	106.9
02	Alcoholic beverages and tobacco	96.0	102.2	102.0	102.3	103.8	103.9	103.6	103.5	103.6
03	Clothing and footwear	35.9	96.7	97.5	96.4	96.8	97.7	97.2	96.6	97.2
04	Housing, water, electricity, gas and other fuels	280.3	105.6	105.4	104.8	104.1	102.6	102.6	102.6	102.6
04.111	Net rentals paid in rented dwellings	37.8	105.5	105.6	104.7	104.2	102.4	102.9	102.5	102.6
04.511	Electricity	44.0	104.2	104.2	104.2	104.2	103.3	103.3	103.3	103.3
04.521	Natural gas	28.6	125.1	122.0	114.0	108.3	102.1	102.1	102.1	102.1
05	Furnishings, household equipment and routine household maintenance	58.0	98.9	98.9	98.6	99.2	98.9	99.2	99.7	99.2
06	Health	23.1	109.8	109.0	109.9	108.7	103.4	103.3	103.7	103.5
07	Transport	105.0	104.0	103.2	102.8	101.3	98.9	99.4	99.3	99.2
07.221	Automotive fuels	33.9	108.0	105.8	106.4	103.8	99.0	100.0	99.1	99.4
08	Communication	36.1	98.7	98.5	97.9	95.3	95.2	95.1	95.1	95.1
09	Recreation and culture	90.4	99.8	100.0	99.6	100.0	99.6	100.2	100.0	99.9
09.60	Package holidays	18.8	102.7	101.7	101.1	101.0	101.5	103.1	103.0	102.5
10	Education	7.8	102.1	102.1	102.0	101.6	101.5	101.6	101.6	101.6
11	Restaurants and hotels	48.6	103.6	104.1	103.9	103.7	102.7	102.3	102.3	102.4
12	Miscellaneous goods and services	69.0	101.5	101.9	101.8	102.3	101.9	101.5	101.7	101.7

Elaborated by Consumer Prices Statistics Unit of the CZSO.

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