

ANALYSIS

9 January 2013

CONSUMER PRICE INDICES IN Q4 2012 AND IN THE YEAR 2012

The total consumer price level in Q4 2012 remained unchanged compared with Q3. The quarter-on-quarter (q-o-q) development in individual divisions of the consumer basket was, however, differentiated. Consumer prices increased, year-on-year (y-o-y), by 2.8% in Q4 2012, which was 0.5% down on the Q3.

The q-o-q development in the price level came from the mutual, sometimes also marked price movements in the particular divisions of the consumer basket. The increase in the price level was influenced primarily by a growth of prices in 'food and non-alcoholic beverages', 'alcoholic beverages and tobacco', 'clothing and footwear', which was mainly compensated by the price drop in 'transport', 'communications', 'recreation and culture'.

In Q4 2012, the growth of prices accelerated at many kinds of food, of which the most at meat, oils and fats, bread and cereals and particularly in December at some kinds of fruit and vegetables. The rise in prices of clothing and footwear came from higher prices of new seasonal models, which were offered on the market primarily in October. In 'alcoholic beverages and tobacco', mainly prices of beer went up. On the other hand, in 'transport', a marked fall in fuel prices was shown in all months in Q4. In 'recreation and culture', prices of package holidays decreased due to the end of the main season. The decrease in prices of mobile phones and telephone and telefax services continued and due to actions of mobile operators it deepened in Q4.

The average month-on-month (m-o-m) growth rate was zero in Q4 2012, while in Q4 2011 it was 0.4%. This was shown in a slowdown in the y-o-y price rise in Q4 2012.

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Consumer price indices the previous quarter = 100

	2011	2012			
DIVISION	Q4	Q1	Q2	Q3	Q4
TOTAL	100.5	102.5	100.3	100.0	100.0
Food and non-alcoholic beverages	102.3	105.1	100.8	99.0	101.2
Alcoholic beverages and tobacco	99.8	100.8	100.3	101.3	101.3
Clothing and footwear	103.0	94.5	103.5	95.6	103.6
Housing, water, electricity, gas and other fuels	100.6	103.8	100.1	100.2	99.9
Furnishings, household equipment and routine maintenance of the house	99.7	100.0	99.7	99.3	100.2
Health	101.4	106.2	100.3	101.9	100.1
Transport	100.5	102.3	100.4	99.6	99.1
Communications	99.6	99.6	99.7	99.1	96.9
Recreation and culture	97.0	101.3	99.7	101.6	97.3
Education	101.2	100.3	100.1	100.4	100.8
Restaurants and hotels	100.5	102.0	101.1	100.4	100.2
Miscellaneous goods and services	100.2	101.5	100.2	100.0	100.6

Consumer prices rose by 2.8%, **y-o-y**, in **Q4 2012 compared with Q4 2011**, i.e. by 0.5 percentage point (p.p.) less than in Q3 2012. The majority of the consumer basket divisions showed deceleration in the y-o-y increase, primarily in 'food and non-alcoholic beverages', 'housing, water, electricity, gas and other fuels', 'health' and 'transport'. In 'communications', the drop in prices deepened and thus an increase in their influence on the reduction in the price level. The rise in market prices decelerated to 1.9% (from 2.1% in Q3) and that of regulated¹⁾ prices to 7.1% (from 8.3% in Q3). As it is obvious from the graph, after a considerable rise in both market and regulated prices in January, there was a decrease in prices during the year 2012, which was more substantial at regulated prices especially due to the y-o-y development of housing prices.

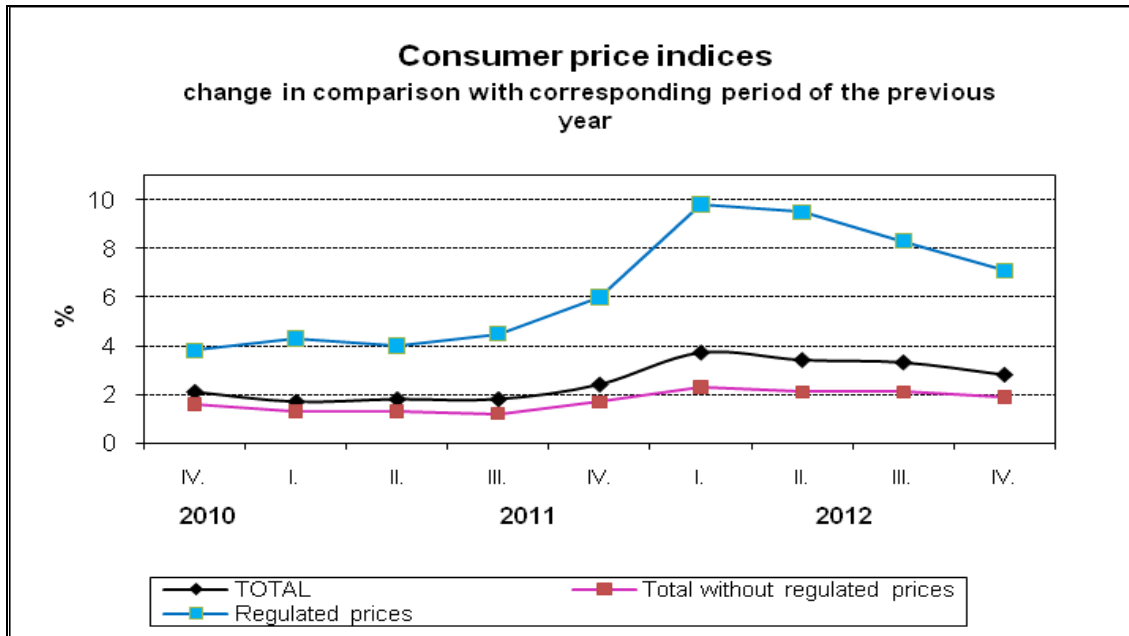
¹⁾ *Prices, which are fully or partly regulated*

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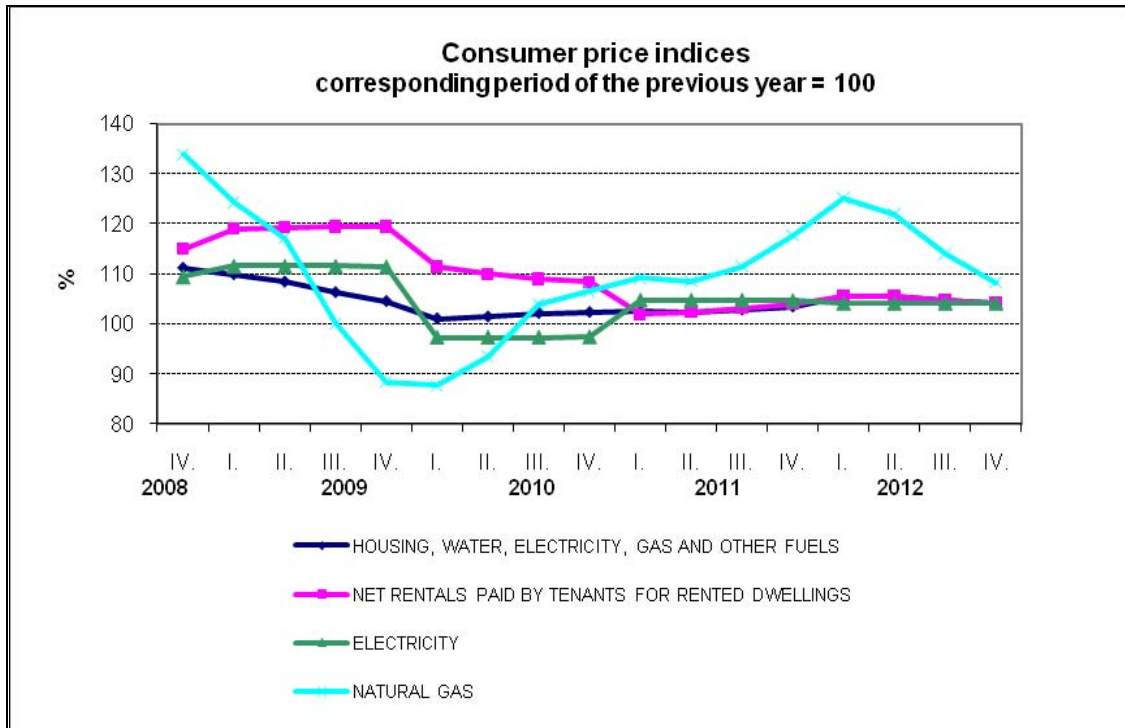
The slowdown in the price rise in **'housing, water, electricity, gas and other fuels'** was affected mainly by prices of natural gas. Their y-o-y growth decreased gradually due to the increase in prices during the year 2011. The different price development of natural gas in 2012 and in 2011 was shown particularly in Q4, as the average m-o-m growth rate was zero in Q4 2012, while in Q4 2011 it was 3.1%. In comparison with Q3, the y-o-y price growth slowed down as for the net actual rentals, which were higher by 4.2% (4.7% in Q3), of which regulated rentals rose by 10.7% and market rentals were up by 1.4%. The electricity price was higher by 4.2% in all quarters of 2012.

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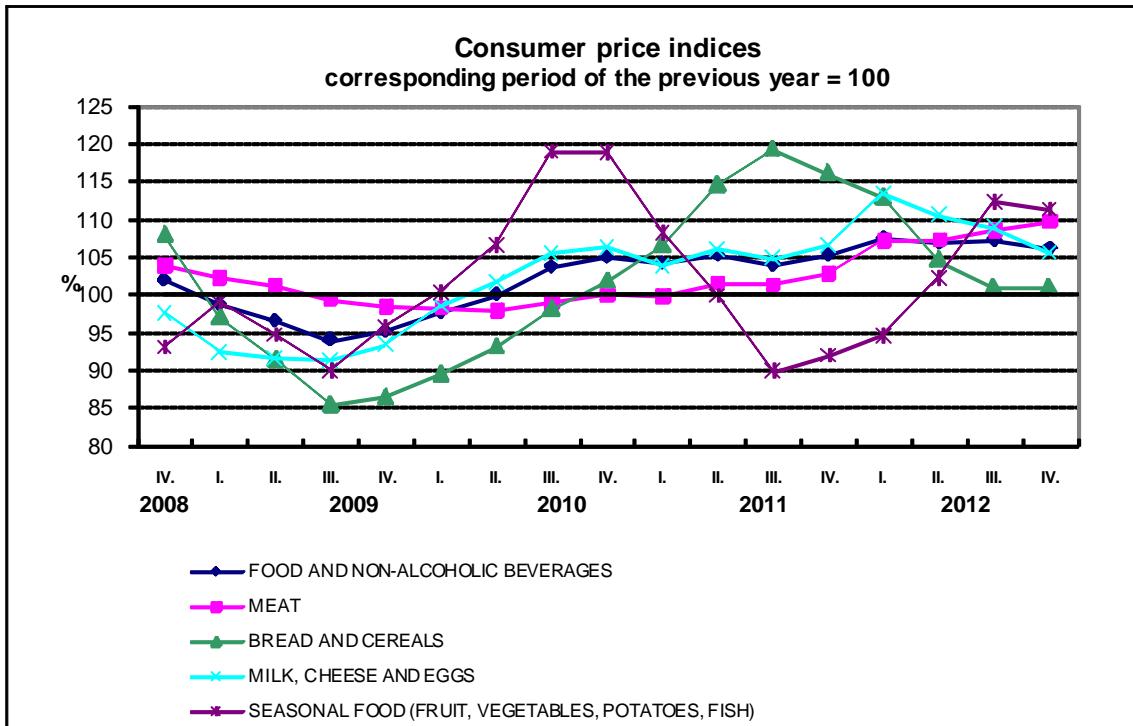
Prices in **'food and non-alcoholic beverages'** rose q-o-q in Q4 2012, however, this growth was lower than in Q4 2011. The average m-o-m growth rate of prices in 'food and non-alcoholic beverages' in Q4 2012 was 0.8%, while in Q4 2011 it was 1.5%. It was reflected in a slowdown of their y-o-y price rise in Q4 2012. This slowdown was shown primarily in fruit, eggs, cheese, yoghurts, other milk products, chocolate, cocoa and coffee. On the other hand, prices of oils and fats decreased moderately due to prices of butter, which were lower by 2.1% (-6.7% in Q3). A growing tendency was recorded for prices of meat, which were higher by 9.7% (8.5% in Q3) and potato prices, which turned from a drop (-0.5%) in Q3 to a rise (17.1%) in Q4.

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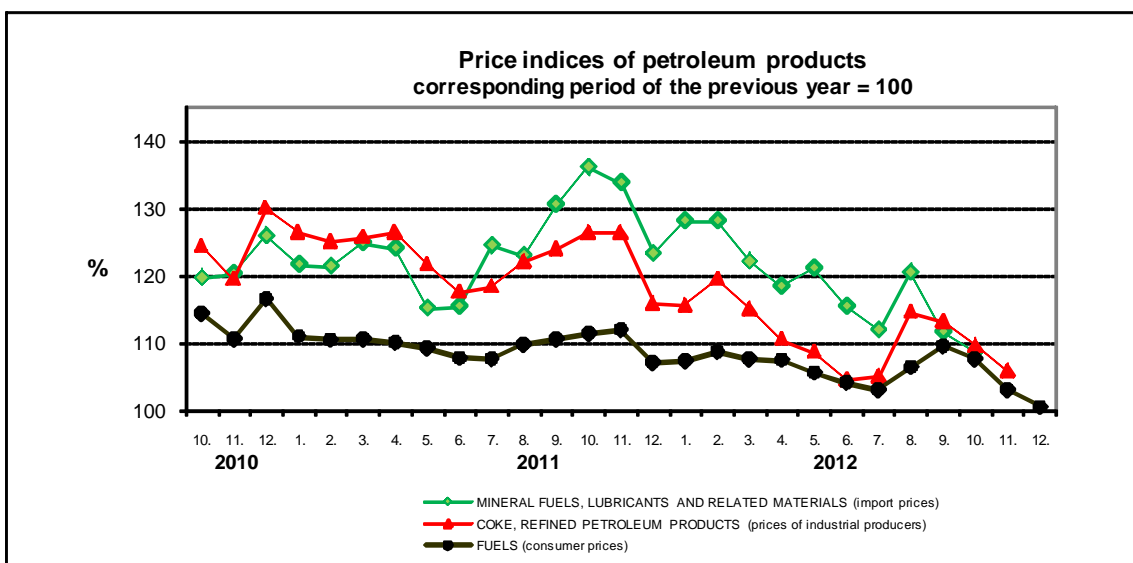
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In 'transport', the price development in Q4 was affected particularly by a drop in fuel prices, which showed markedly decreasing tendency in the last three months of 2012. Prices of petrol Natural 95 and diesel oil were higher, y-o-y, in December 2012 (0.5% and 0.7%, respectively). 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.



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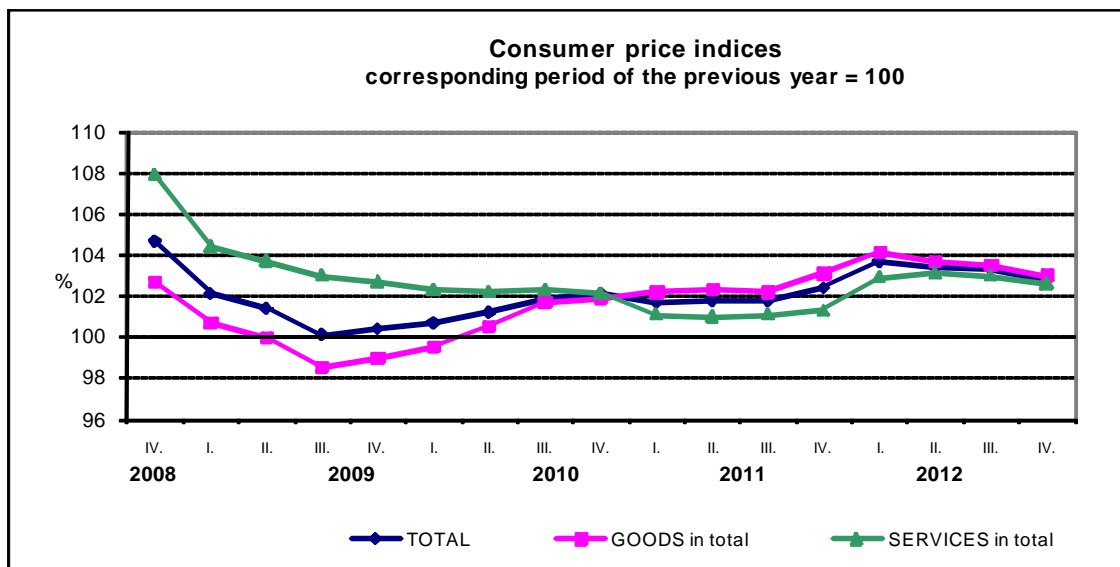
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In **'health'**, the rise in prices of hospital services slowed down to 27.2% in Q4 from 47.0% in Q3 due to an increase in the regulatory fee per stay in health establishments since December 2011.

An **acceleration** of the y-o-y growth was shown only in **'alcoholic beverages and tobacco'** and **'miscellaneous goods and services'** in Q4. In alcoholic beverages, prices of beer rose by 6.7% from 0.6% in Q3. In 'miscellaneous goods and services', prices of personal care and insurance prices increased.

The **y-o-y drop** in prices continued in clothing and footwear, household appliances, mobile phones, audio-visual, photographic and information processing equipment in Q4.

Prices of **goods in total** rose by 3.0% (3.5% in Q3 2012) and prices of **services** by 2.6% (3.0% in Q3).



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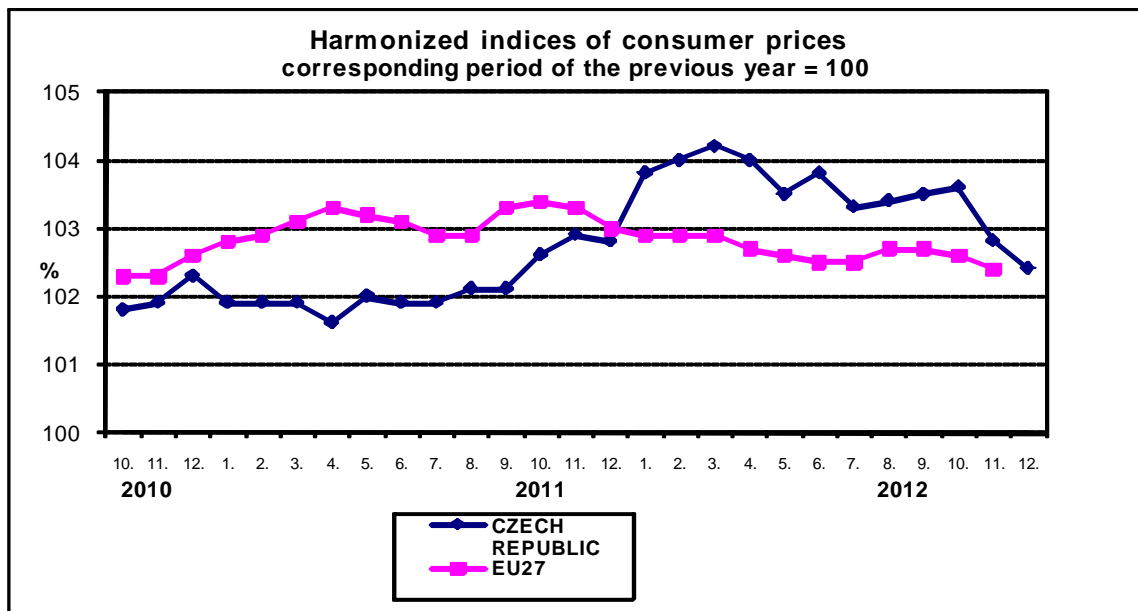
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Harmonized index of consumer prices in the EU27

According to Eurostat preliminary data the y-o-y increase in the average **harmonized index of consumer prices (HICP)** in the EU27 was 2.6% in **October** and 2.4% in **November**. In the Czech Republic (CR) the y-o-y change of the HICP was 3.6% and 2.8% in the same months. According to preliminary data the HICP growth in the CR amounted to 2.4% in **December**. 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 over a long term and their difference was reduced at the end of 2011 and after a consumer prices jump in January, HICP in the CR was about 1 percentage point above the average level of the EU. This difference started its decline in the last months of 2012.



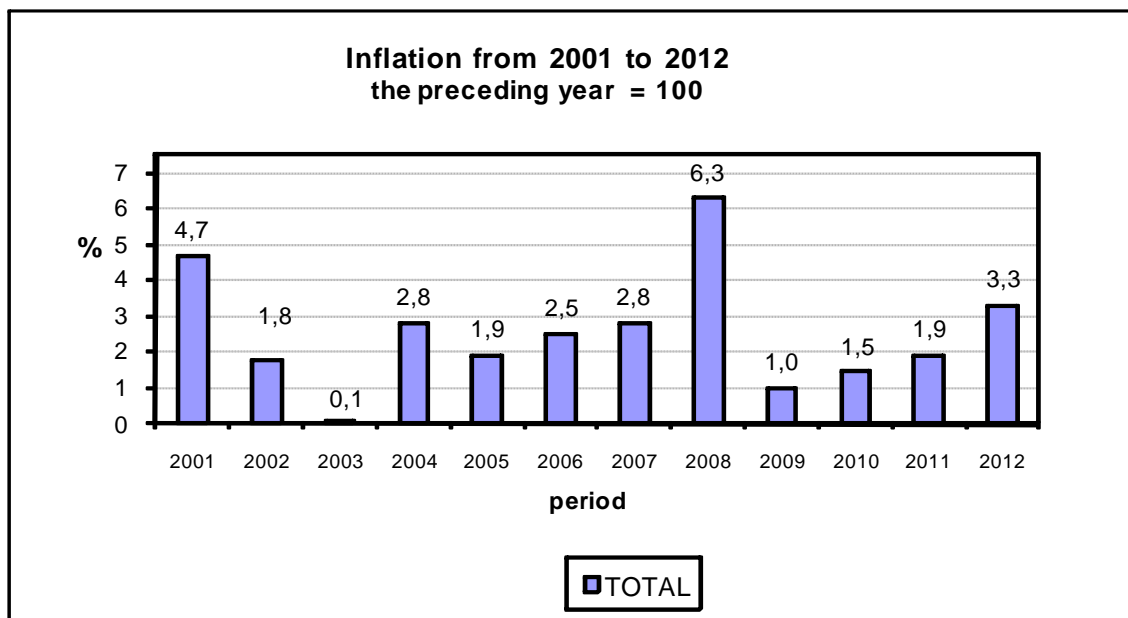
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The **average inflation rate in 2012** reached 3.3%, which was a value by 1.4 percentage point higher than in 2011 and the highest inflation in the past four years. Inflation rate in 2012 was influenced by the month of January, in which consumer prices rose by 1.8%, m-o-m, and jumped to 3.5% from 2.4% in December 2011, y-o-y. In the further months, the y-o-y price growth oscillated around the January value depending in particular on the development of prices of food, housing and fuel. At the end of 2012 especially due to these items, there was a significant slowdown of the price growth. The price development in January came primarily from the rise in the reduced VAT rate to 14% from 10%. The impact of this change on m-o-m increase in the consumer price increase in total amounted to a 1.1 percentage point growth according to the CZSO preliminary calculation.



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The influence of respective divisions of the consumer basket on the price level increase by 3.3% in 2012 is illustrated in the breakdown of the total increase of the consumer price index.

Breakdown of the y-o-y change of the consumer price index in 2012 in percentage points

DIVISION	
TOTAL	3.3
Food and non-alcoholic beverages	1.1
Alcoholic beverages and tobacco	0.3
Clothing and footwear	-0.1
Housing, water, electricity, gas and other fuels	1.4
Furnishings, household equipment and routine maintenance of the house	-0.1
Health	0.2
Transport	0.3
Communications	-0.1
Recreation and culture	0.0
Education	0.0
Restaurants and hotels	0.2
Miscellaneous goods and services	0.1

It is clear from the table that prices in **'housing, water, electricity, gas and other fuels'** had the highest effect on the price level growth in 2012, where price movements in the most items in this division were insignificant in the further months after a price jump in January. Prices of electricity were higher by 4.2%, natural gas by 17.0%, water supply by 12.0%, sewerage collection by 10.5%, heat and hot water by 8.2%. The net actual rentals went up by 5.0%, of which for dwellings with regulated rentals by 12.3% and for dwellings with market rentals by 1.8%.

The second biggest upward effect on the overall consumer price level came from prices in **'food and non-alcoholic beverages'**, where the y-o-y growth from January kept with fluctuations for the whole year 2012. Prices in 'food and non-alcoholic beverages' increased by 6.9% on average (4.6% in 2011), of which prices of meat rose by 8.1%, eggs by 53.6%, yoghurts by 8.4%, fruit by 5.9%, cocoa by 14.8%, coffee by 16.0%. Prices lower than in 2011 were recorded mainly in potatoes (-16.9%).

The price development in **'clothing and footwear', 'furnishings, household equipment and routine maintenance of the house', 'communications', and 'recreation and culture'** affected the reduction of the price level in a similar way as in the recent years due to a permanent moderate decrease in prices of clothing, footwear, household equipment, mobile phones, equipment for the reception, recording and reproduction of sound and pictures.

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COICOP	Division	Constant weights 2010 per mille	2011	2012							
			Corresponding period of last year = 100								
			Q4	Q1	Q2	Q3	October	November	December	Q4	year
0	Total	1000.0	102.4	103.7	103.4	103.3	103.4	102.7	102.4	102.8	103.3
01	Food and non-alcoholic beverages	149.8	105.3	107.5	106.8	107.2	107.2	105.9	105.2	106.1	106.9
01.11	<i>Bread and cereals</i>	23.6	116.0	112.8	104.5	100.8	100.4	101.3	100.8	100.9	104.6
01.12	<i>Meat</i>	35.1	102.8	107.1	107.2	108.5	110.3	110.2	108.7	109.7	108.1
02	Alcoholic beverages, tobacco and narcotics	96.0	102.8	102.2	102.0	102.3	104.1	103.6	103.8	103.8	102.6
03	Clothing and footwear	35.9	98.6	96.7	97.5	96.4	96.9	96.5	97.2	96.8	96.9
04	Housing, water, electricity, gas and other fuels	280.3	103.4	105.6	105.4	104.8	104.7	104.1	103.6	104.1	105.0
04.111	<i>Net rentals paid in rented dwellings</i>	37.8	104.0	105.5	105.6	104.7	104.3	104.1	104.3	104.2	105.0
04.511	<i>Electricity</i>	44.0	104.7	104.2	104.2	104.2	104.4	104.2	104.2	104.2	104.2
04.521	<i>Natural gas</i>	28.6	117.7	125.1	122.0	114.0	113.2	107.7	104.3	108.3	117.0
05	Furnishings, household equipment and routine maintenance of the house	58.0	98.5	98.9	98.9	98.6	98.5	99.6	99.4	99.2	98.9
06	Health	23.1	103.8	109.8	109.0	109.9	109.6	109.5	106.8	108.7	109.3
07	Transport	105.0	103.8	104.0	103.2	102.8	102.7	101.1	100.2	101.3	102.8
07.221	<i>Automotive fuels</i>	33.9	110.2	108.0	105.8	106.4	107.8	103.1	100.6	103.8	106.0
08	Communications	36.1	99.2	98.7	98.5	97.9	96.7	94.8	94.4	95.3	97.6
09	Recreation and culture	90.4	98.6	99.8	100.0	99.6	100.2	99.9	99.8	100.0	99.8
09.60	<i>Package holidays</i>	18.8	100.8	102.7	101.7	101.1	101.4	100.5	101.2	101.0	101.6
10	Education	7.8	102.1	102.1	102.1	102.0	101.6	101.6	101.7	101.6	102.0
11	Restaurants and hotels	48.6	102.0	103.6	104.1	103.9	103.9	103.6	103.5	103.7	103.8
12	Miscellaneous goods and services	69.0	100.6	101.5	101.9	101.8	102.2	102.6	102.0	102.3	101.9

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