

Inflation accelerated slightly to 6.9 % year-on-year Consumer price indices – July 2008

The consumer price level in July increased compared with June by 0.5 %. An upward effect on the consumer price level, month-on-month, came mainly from the price rise in 'housing, water, electricity, gas and other fuels' and 'recreation and culture'. The year-on-year consumer price growth accelerated to 6.9 % in July (from 6.7 % in June).

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The **month-on-month** consumer price level increase by 0.5 % owed mainly to a price rise in natural gas by 9.7 %. Net actual rentals paid by tenants for rented dwellings rose by 0.8 % and solid fuel prices by 1.1 %. In 'recreation and culture', seasonal prices of package holidays increased by 13.1 %, of which prices of domestic holidays by 5.5 % and holidays abroad by 15.1 %. A 2.1 % price rise in tobacco products responded to an excise tax increase though with a half-year delay. Prices of medicaments without prescription were 2.3 % up.

A downward effect on the consumer price level came from the price decrease in clothing by 1.5 % and footwear by 2.7 % due to summer sales of goods. The fall in food prices came from lower prices of potatoes by 24.4 %, vegetables grown for fruit by 5.8 % and other vegetables by 6.6 %. A moderate drop in prices (by 0.6 %) was recorded for automotive fuel after four months. Further decrease was observed in prices of transport vehicles by 0.5 %, mobile phones by 2.3 % and audio-visual and photographic equipment and data-processing equipment by 1.3 %.

Prices of goods in total increased by 0.2 %, while prices of services rose by 1.1 %.

In terms of the **year-on-year** comparison, in July, the increase in consumer prices was 6.9 %, i.e. 0.2 percentage point up on June. An accelerated price growth was recorded primarily in 'housing, water, electricity, gas and other fuels' due to the increase in natural gas by 27.7 % (from 18.4 % in June). Net actual rentals rose by 16.2 %, of which for dwellings with regulated rentals by 25.0 %, while for dwellings with market rentals by 2.9 %. Prices of tobacco products increased by 12.3 % (12.2 % in June). A decelerated price growth was recorded mainly in 'transport', where prices of automotive fuel were by 8.3 % up (9.8 % in June). Prices of oil increased by 21.9 % (from 23.9 % in June). In 'recreation and culture', a usual seasonal increase in prices of package holidays was recorded month-on-month, but this increase slowed down to 0.8 % year-on-year (from 1.8 % in June).

The biggest effect on the price level, which was even stronger in July, came from 'housing, water, electricity, gas and other fuels'. The second biggest upward influence on the price level came again from prices in the division 'food and non-alcoholic beverages', where prices of bread and cereals went up by 21.4 %, of which prices of flour by 50.5 %, rice by 50.0 %, rolls and baguettes by 25.4 % and bread by 22.4 %. Prices of edible oils and vegetable fats were higher (by 30.1 % and 28.3 %, respectively).

Compared with 2007, prices of clothing were lower by 1.6 %, devices and household appliances by 1.6 %, transport vehicles by 4.4 %, audio-visual and photographic equipment and data-processing equipment by 11.1 %, recording media by 3.4 % and sports equipment by 4.9 %. In food, prices of potatoes were lower by 13.9 %, stone fruit and berry plants by

10.5 %, vegetables grown for fruit by 4.6 % and sugar by 3.7 %. In 'communications', prices of mobile phones decreased and so did prices of telephone and telefax services due to commercial discounts provided by mobile operators.

Prices of goods in total grew by 6.2 % and prices of services by 8.0 %.

Inflation rate, i.e. the increase in the **average consumer price index in the twelve months to July 2008** compared with the average CPI in the previous twelve months, stood at 5.8 % in July (0.4 percentage point up compared with June 2008).

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 4.3 % in **June** (0.3 p.p. up on May). The highest annual rates were observed in Latvia (17.5 %) and Bulgaria (14.7 %), and the lowest rate in the Netherlands (2.3 %). The growth of consumer prices in Slovakia accelerated to 4.3 % in June (from 4.0 % in May). In Germany, the price growth of consumer prices accelerated to 3.4 % (from 3.1 % in May).

According to preliminary calculations, the HICP in the **Czech Republic in July 2008** increased by 0.5 %, **month-on-month**, and accelerated to 6.8 % (from 6.6 % in June), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in July 2008** was 4.1 %, y-o-y, as Eurostat announced (more information on Eurostat's web pages: [HICP](#)).

In July 2008, in comparison to June 2008, consumer prices grew by 0.5 % in **households of pensioners** and by 0.5 % in **households of employees** as well. Both types of households recorded a higher consumer price index for 'recreation and culture': households of pensioners by 2.0 % and households of employees by 2.7 %. The increase was affected particularly by higher prices of recreational stays abroad and domestic recreational stays. Higher index was registered for 'housing, water, electricity, gas and other fuels' (1.9 % for pensioners and 1.6 % for employees) due to prices of natural gas and cost of housing in cooperative dwellings. On the other hand, a lower index was recorded for 'clothing and footwear' (1.6 % for pensioners, 1.7% for employees) primarily due to lower prices of women's footwear and men's underwear and knitwear.

In the capital city of Prague, the overall consumer price index (cost of living) grew by 0.5 % month-on-month (0.5 % in the whole Czech Republic as well). The consumer price index for 'recreation and culture' increased by 3.4 % (2.8 % in the Czech Republic) due to higher prices of recreational stays abroad and domestic recreational stays. Prague registered a higher index for 'housing, water, electricity, gas and other fuels' by 0.8 % (1.3 % in the Czech Republic) particularly due to price increases in natural gas and net actual rentals paid by tenants for rented dwellings. The consumer price index for 'alcoholic beverages, tobacco' grew by 1.0 % (1.2 % in the Czech Republic), affected mainly by higher prices of tobacco and beer. On the other hand, a drop occurred in 'clothing and footwear' by 2.3 % (1.8 % in the Czech Republic) as a result of lower prices of children's footwear and men's underwear and knitwear in particular.