

ANALYSIS

9 October 2015

Consumer price indices in Q3 2015

In Q3 2015, consumer prices dropped by 0.2% compared with Q2 2015. Consumer prices rose by 0.4% in Q3 2015, year-on-year, which was 0.3 percentage point down on Q2 2015.

The **quarter-on-quarter** (q-o-q) decrease in consumer prices in Q3 was influenced by a price drop in 'food and non-alcoholic beverages' and in 'clothing and footwear'. In the opposite direction, i.e. the growth of prices was caused by the price rise in 'recreation and culture' in particular. In 'food and non-alcoholic beverages', the decrease in prices occurred in the different rate in most kinds of food. Vegetable prices declined by 6.8%, fruit by 1.4%, meat by 0.8%, oils and fats by 1.5%, sugar by 5.6%, products in the group milk, cheese, eggs by 5.0%. The drop in prices in 'clothing and footwear' was due primarily to summer sales of clothing and shoes. The growth of prices in 'recreation and culture' came from seasonal increase in prices of package holidays by 13.2%. In 'transport', the development of prices was influenced primarily by automotive fuel prices, which decreased by 1.0% and on the other hand the rise in car prices by 1.0%. An average month-on-month change of the overall consumer price index was -0.2% in Q3 2015. It was 0.0% in Q3 2014.

Consumer price indices (the previous quarter = 100)

DIVISION	2014		2015		
	Q3	Q4	Q1	Q2	Q3
TOTAL	100.1	99.8	100.1	100.6	99.8
Food and non-alcoholic beverages	98.7	99.8	100.8	100.5	98.0
Alcoholic beverages and tobacco	100.5	99.9	103.6	101.4	100.2
Clothing and footwear	98.1	105.0	96.6	104.0	97.3
Housing, water, electricity, gas and other fuels	100.4	100.1	100.4	100.2	100.1
Furnishings, household equipment and routine household maintenance	99.4	99.8	100.5	100.5	99.4
Health	100.9	100.1	90.9	101.5	100.6
Transport	100.8	98.6	95.6	101.9	100.1
Communication	98.8	99.5	100.2	99.6	99.6
Recreation and culture	102.2	97.2	101.7	99.9	102.9
Education	100.4	100.5	100.2	100.0	100.4
Restaurants and hotels	100.5	100.1	100.4	100.5	100.5
Miscellaneous goods and services	100.7	100.3	100.9	100.2	99.8

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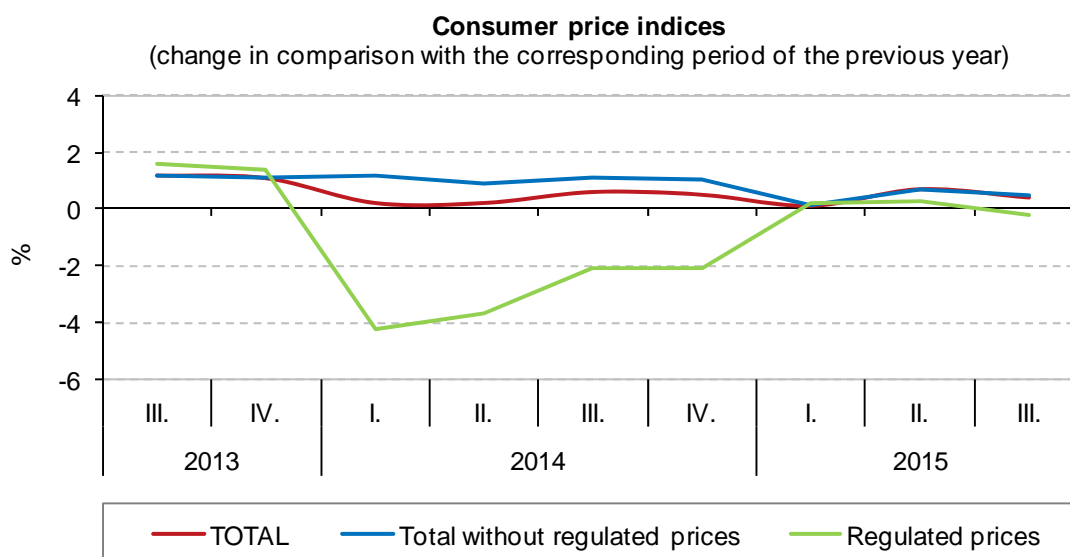
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Consumer prices rose by 0.4%, **year-on-year** (y-o-y), in Q3 2015 compared with Q3 2014, i.e. 0.3 percentage point down on Q2 2015. A slowdown in the y-o-y price growth or a deeper price drop occurred in the majority of divisions of the consumer basket. The first case concerned particularly the development in 'housing, water, electricity, gas and other fuels', 'clothing and footwear', 'miscellaneous goods and services'. The second case, i.e. the deeper price drop was recorded mainly for 'food and non-alcoholic beverages' and for 'transport'. The growth of the price level was influenced only by the acceleration of the y-o-y rise in prices in 'recreation and culture'. Changes in the price development of those divisions were reflected particularly in a slowdown of the increase in the index of market prices and in the drop in the index of regulated prices.

The growth of market prices slowed down to 0.5% in Q3 2015 from 0.7% in Q2. Regulated prices dropped by 0.2% (from a 0.3% growth in Q2).



In **'housing, water, electricity, gas and other fuels'**, the slowdown of the y-o-y growth was due to the deceleration in the rise in prices of natural gas to 1.7% (from 4.5% in Q2). It was caused by the m-o-m increase in the natural gas prices in July 2014. Prices of water supply and sewage collection went up (3.4% and 2.8%, respectively). It was the same as in Q2. Prices of heat and hot water were higher by 2.3% (2.1% in Q2). The rise in prices of net actual rentals decelerated to 0.7% (from 1.5% in Q2). Energy prices were lower by 0.4%.

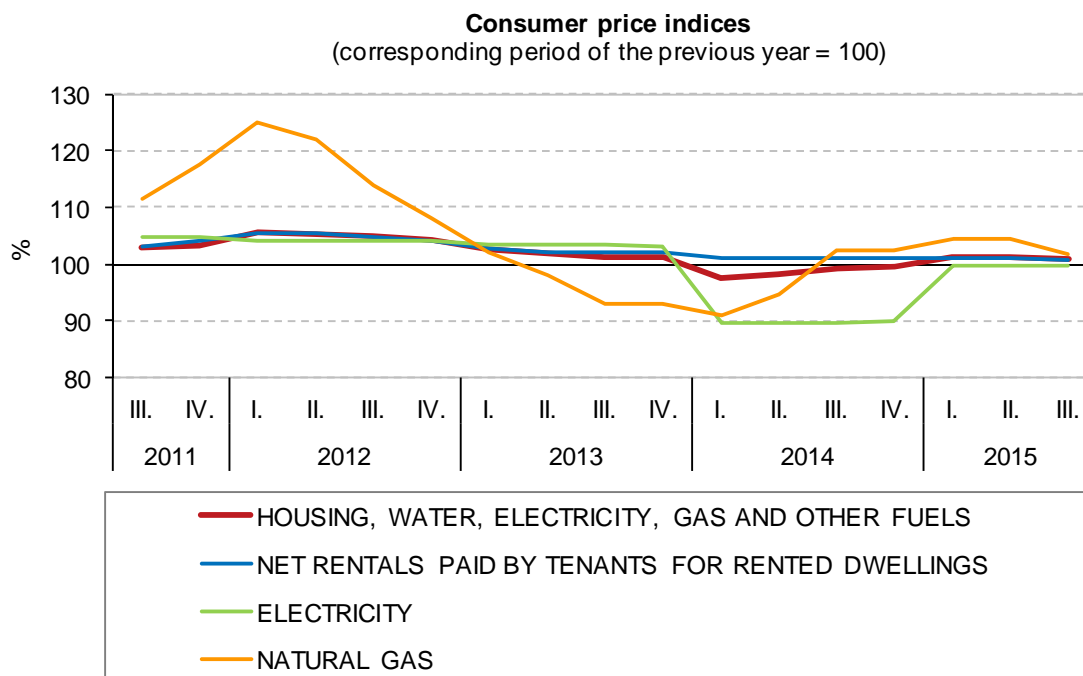
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The slowdown in the growth of the price level came also from prices in **'clothing and footwear'**, where prices of garments increased only by 0.3%. Prices of shoes and other footwear rose by 9.5%.

In **'miscellaneous goods and services'**, the slowdown in the price rise came from a price increase in personal care only by 0.1% (1.4% in Q2) and from a deceleration in the growth of financial services by 4.7% (7.3% in Q2).

The biggest influence on the growth of the price level came similarly as in Q2 from prices in **'alcoholic beverages and tobacco'**, where prices of tobacco products and prices of alcoholic beverages went up (8.6% and 1.4%, respectively).

In **'recreation and culture'**, an acceleration in the price growth was shown in Q3, which was caused especially by an increase in prices of package holidays by 6.6% (5.6% in Q2). At the same time, the long-term fall slowed down in prices of equipment for the reception, recording and reproduction of sound and picture (to -7.8% from -10.2% in Q2).

The reduction in the price level came, similarly as in Q1 and Q2 2015, from prices in **'food and non-alcoholic beverages'**. For most basic foods except fruits and vegetables the y-o-y price drop continued in Q3. Prices of bread decelerated by 2.0%, as well as prices of rolls and baguettes by 2.6%, meat by 3.0%, milk by 13.7%, cheese by 9.0%, yoghurts by 3.2%, butter by 4.5%, sugar by 17.8%. On the other hand, prices of fruit rose by 7.3% and vegetables by 8.5%, of which potato prices by 20.3%.

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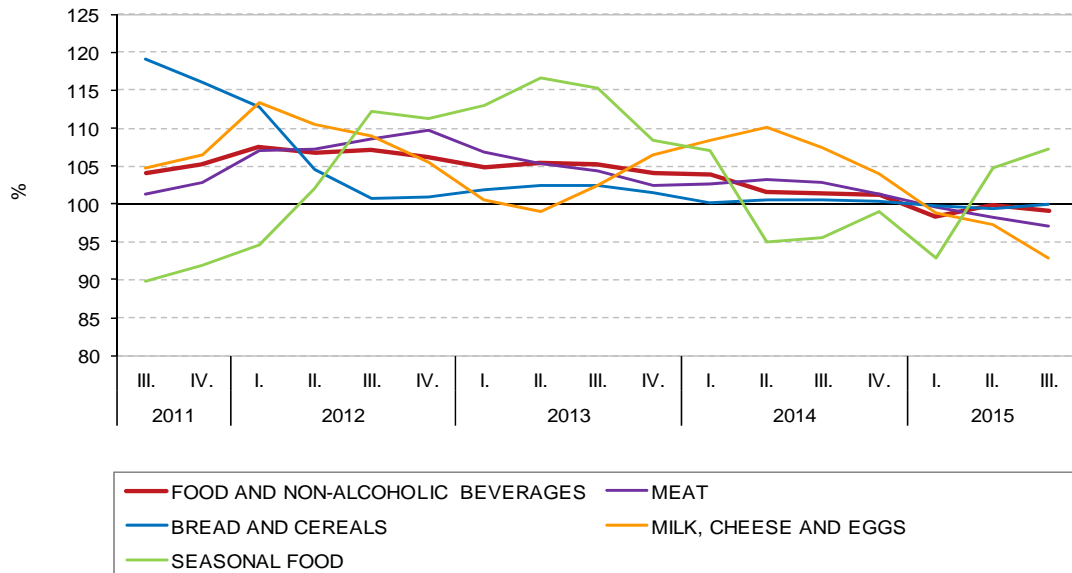
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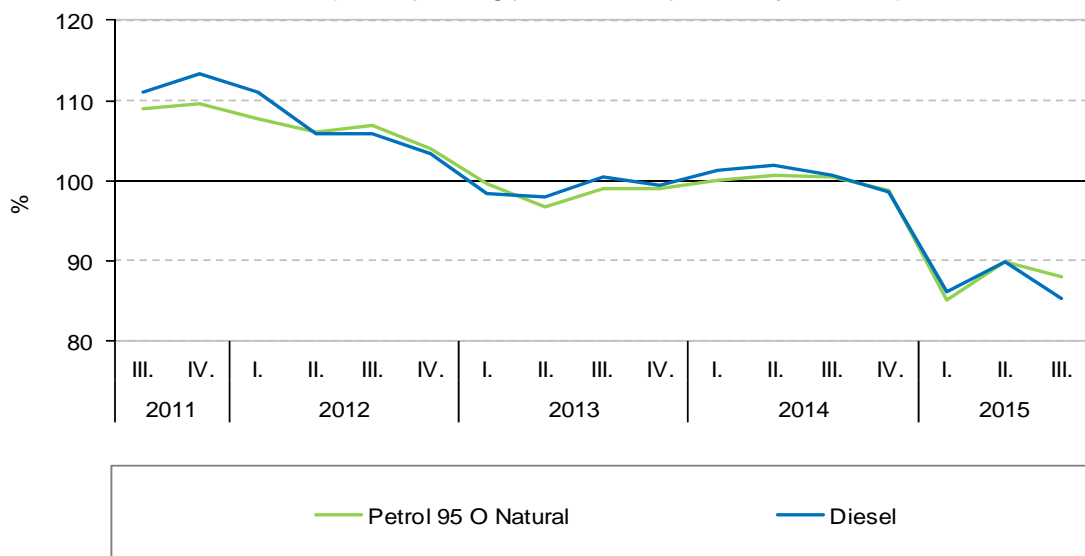
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Consumer price indices
(corresponding period of the previous year = 100)



In 'transport', the y-o-y decrease in prices, which started in Q1 2015, continued as well. 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 February 2015 (-17.1%). In the coming months, the decline in automotive fuel prices moderated until September 2015 when it reached this year's second maximum (-15.1%).

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



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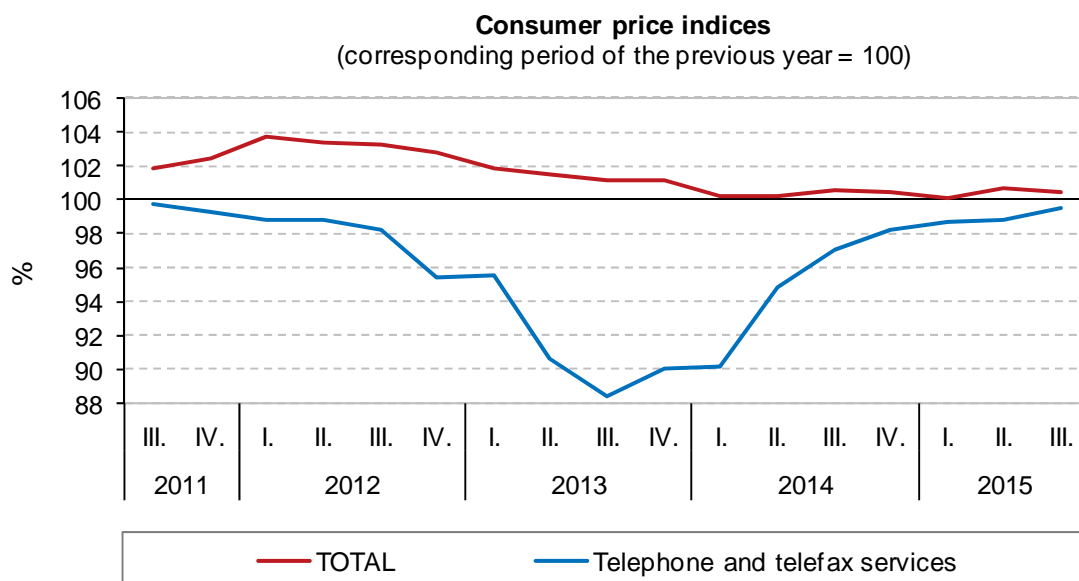
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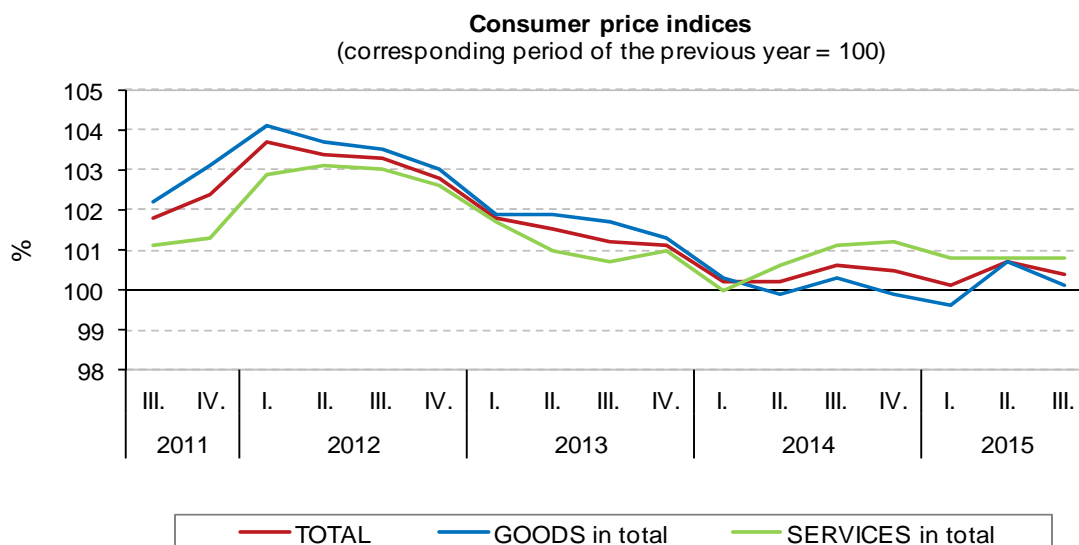
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In **'health'**, an abolition of regulatory fees for a doctor's visit and fees in the dispensing of prescription medicines occurred in January 2015, which caused a price decrease in this division (-7.1% in Q3).

The long-term decline in prices, which this year eased, continued in **'communication'**. It was due to a slowdown in the price drop in telephone and telefax services, which started in mid 2013 and stood at -0.5% in Q3 2015. Prices of postal services were higher by 8.4%.



Consumer price movements, which were mentioned above, had an impact on the increase in prices of **goods in total** by 0.1% (0.7% in Q2 2015), while prices of **services** rose by 0.8% (the same as in Q1 and Q2).



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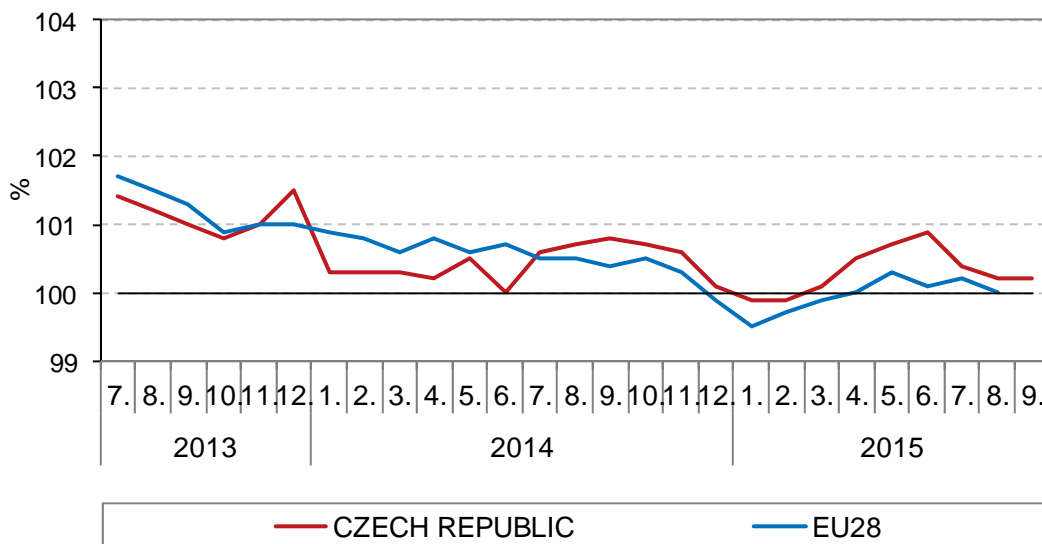
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Harmonized index of consumer prices in the EU28

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 0.0% in August. In the Czech Republic (CR), the y-o-y increase in the HICP was 0.4% and 0.2%, respectively. According to preliminary data, the HICP in the CR rose by 0.2%, 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. The y-o-y inflation decreased gradually in the previous two years; however, the HICP figures in the CR in 2014 compared with the HICP figures in the EU28 were fluctuating up and down. Since the beginning of the year 2014, the increase in the HICP in the CR recorded a more substantial drop than the rise in the HICP in the EU28. Nevertheless, this trend changed in the second half of 2014 and lasted also in the year 2015.

Harmonized indices of consumer prices
(corresponding period of the previous year = 100)



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COICOP	Division	Constant weights 2012 (per mille)	2014		2015						
			Corresponding period of the previous year = 100								
			Q3	Q4	Q1	Q2	July	August	September	Q3	
0	Total	1000.0	100.6	100.5	100.1	100.7	100.5	100.3	100.4	100.4	
01	Food and non-alcoholic beverages	170.8	101.4	101.2	98.4	99.9	99.0	98.8	99.5	99.1	
01.11	<i>Bread and cereals</i>	27.2	100.6	100.3	99.7	99.4	99.8	99.2	101.2	100.0	
01.12	<i>Meat</i>	40.6	102.8	101.3	99.6	98.2	96.6	97.3	97.1	97.0	
02	Alcoholic beverages and tobacco	95.0	102.7	101.4	103.4	105.4	105.2	105.1	105.3	105.2	
03	Clothing and footwear	32.9	103.2	103.6	104.5	103.5	102.5	102.5	102.8	102.6	
04	Housing, water, electricity, gas and other fuels	265.6	99.3	99.4	101.1	101.2	100.8	100.8	100.8	100.8	
04.111	<i>Net rentals paid in rented dwellings</i>	36.2	101.0	101.1	101.1	101.5	100.5	100.7	100.9	100.7	
04.511	<i>Electricity</i>	47.4	89.6	90.0	99.7	99.7	99.7	99.6	99.4	99.6	
04.521	<i>Natural gas</i>	29.3	102.4	102.4	104.5	104.5	101.7	101.7	101.7	101.7	
05	Furnishings, household equipment and routine household maintenance	61.1	99.5	99.9	99.9	100.2	100.1	100.2	100.3	100.2	
06	Health	23.8	98.8	99.5	93.4	93.2	93.0	92.9	92.8	92.9	
07	Transport	101.3	100.5	100.0	95.1	96.7	96.7	96.3	95.5	96.2	
07.221	<i>Fuels for personal transport equipment</i>	36.1	100.5	98.8	85.4	89.8	89.2	88.0	84.9	87.4	
08	Communication	30.6	96.6	97.4	97.9	98.1	98.8	99.1	99.3	99.0	
09	Recreation and culture	87.6	100.7	99.9	100.8	101.0	101.7	101.5	101.8	101.7	
09.60	<i>Package holidays</i>	19.1	104.0	103.5	105.4	105.6	106.8	106.4	106.8	106.6	
10	Education	7.4	101.4	101.3	101.2	101.1	101.0	101.0	101.2	101.1	
11	Restaurants and hotels	55.6	101.7	101.7	101.7	101.6	101.4	101.5	101.4	101.4	
12	Miscellaneous goods and services	68.3	101.8	102.2	102.4	102.1	101.9	101.1	100.8	101.2	

Elaborated by Consumer Prices Statistics Unit of the CZSO

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