

AVERAGE INFLATION RATE AMOUNTED TO 0.4% IN 2014

Consumer price indices – December 2014

Consumer prices in December dropped compared with November (-0.1%). This development was mainly due to the decrease in prices in 'transport'. The year-on-year increase in consumer prices decelerated to 0.1% in December (0.6% in November). The average inflation rate reached 0.4% and was the lowest since 2003.

The **month-on-month** decrease in consumer prices in 'transport' came primarily from the reduction in prices of fuel (-5.2%), which was the biggest since December 2008. The average price of petrol Natural 95 (33.93 CZK per litre) was the lowest in December 2014 since February 2011. The average price of diesel oil amounted to 34.41 CZK per litre and was the lowest since September 2011. In 'clothing and footwear', prices of shoes and other footwear fell (-0.3%). In food, flour prices dropped (-2.8%) primarily as well as prices of meat (-0.7%), eggs (-1.1%), milk (-0.6%), cheese (-1.6%), butter (-2.3%), vegetables (-0.4%), non-alcoholic beverages (-1.0%).

A contrary effect on the overall consumer price level in December owed to a moderate rise in the other divisions of the consumer basket. In 'food and non-alcoholic beverages', prices of fruit rose by 9.8% in particular as well as prices of potatoes by 12.0%, pasta by 4.2%, chocolate and chocolate-based products by 1.4%. In 'alcoholic beverages and tobacco', prices of wine increased by 1.0%, beer by 1.6%, while prices of spirits went down (-1.9%). In 'furnishings, household equipment and routine household maintenance', prices of detergents went particularly up by 1.7%. In 'transport', prices of new cars and passenger transport by railway rose (1.5% and 0.8%, respectively). In 'communication', prices of postal services increased by 4.5%. In 'miscellaneous goods and services', prices of financial services were higher by 0.4%.

Prices of goods in total dropped (-0.2%), while prices of services went up by 0.1%.

In terms of the **year-on-year** comparison, in December, the consumer price level rose by 0.1%, i.e. 0.5 percentage points down from November. It was due primarily to higher m-o-m growth of prices in December 2013 than in December 2014. This was the case especially in prices in 'food and non-alcoholic beverages', which turned to the drop (-0.5%) in December from the y-o-y growth by 1.5% in November. The reduction in prices in 'food and non-alcoholic beverages' came especially from deeper y-o-y drop in prices of vegetables (-14.3% compared with -2.3% in November). Prices of milk, cheese and butter turned to a decrease from -2.1% to -2.8% (a rise from 0.7% to 1.6% in November). Many kinds of food saw a slowdown in the price growth. Prices of bread and cereals were higher by 0.3% (0.7% in November), meat by 0.7% (1.2% in November), eggs by 12.5% (16.7% in November), yoghurts by 4.6% (5.5% in November), other milk products by 1.8% (3.3% in November), fruit by 1.4% (2.2% in November). The y-o-y drop in prices in 'transport' was due to a fall in fuel prices -6.0% (a rise by 0.6% in November).

Prices in 'food and non-alcoholic beverages' stopped to have an increasing influence on the growth of the price level in December. On the contrary, they started to have an anti-inflationary effect. The biggest effect had prices in 'miscellaneous goods and services', where prices of insurance and financial services were higher (2.9% and 5.6%, respectively).

The reduction of the y-o-y price growth was affected by a decline in prices in 'housing, water, electricity, gas and other fuels' due to the fall in prices of electricity (-9.6%). Natural gas prices increased by 2.4%, the net actual rentals by 1.3%, water supply by 3.4%, sewage collection by 3.2%, heat and hot water by 0.6%. The year-on-year decrease in prices continued in 'communication' due to the drop in prices of telephone and telefax services and mobile phones (-1.6% and -19.0%, respectively).

Prices of goods in total went down (-0.7%), while prices of services were higher by 1.2%. The overall consumer price index excluding imputed rentals was 100.0%, year-on-year.

Inflation rate, i.e. the increase in the average consumer price index in the twelve months to December 2014 compared with the average CPI in the previous twelve months, stood at 0.4% in December.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices (HICP)**¹⁾ in the **EU28 member states** was 0.4% in **November**, i.e. 0.1 percentage point less than in October. Prices went up the most in Romania and Austria (both 1.5%). On the other hand, the largest price decline occurred in Bulgaria and Greece (-1.9% and -1.2%, respectively). In Slovakia, the y-o-y growth of prices was zero for the second month in a row. In Germany, the year-on-year price rise slowed down to 0.5% in November, i.e. 0.2% down on October. According to preliminary calculations, the HICP in the Czech Republic in **December** remained unchanged, **month-on-month**, and was higher by 0.1% (0.6% in November), **year-on-year**. The MUICP (Monetary Union Index of Consumer Prices) flash estimate for the **Eurozone** in **December 2014** amounted to -0.2%, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).

¹⁾ So far, imputed rentals have been excluded from the HICP

In December, in comparison to November, consumer prices remained unchanged in **households of pensioners**. In 'food and non-alcoholic beverages', the consumer price index went up by 0.2%. The growth was affected mainly by higher prices of fruit. In 'restaurants and hotels', the increase in prices occurred also by 0.2%. Prices of meals provided by restaurants went primarily up. A rise in the overall consumer price index was also influenced by the 0.2% price increase in 'furnishings, household equipment and routine household maintenance'. It was shown the increase in prices of detergents. On the other hand, the decrease in prices (-1.4%) occurred in 'transport'. The drop was caused mainly by lower prices of fuel.

In the capital city of Prague, the overall consumer price index (cost of living) rose, month-on-month, by 0.1% (-0.1% in the whole Czech Republic). In 'alcoholic beverages and tobacco', the consumer price index increased by 0.6% (0.2% in the Czech Republic) due mainly to higher prices of beer and spirits. In 'recreation and culture', Prague registered a higher index by 0.4% (0.1% in the Czech Republic). There were mainly higher prices of toys. On the other hand, in 'transport', the consumer price index dropped by 0.9% (-1.4% in the Czech Republic). It was mainly a result of lower fuel prices. In 'clothing and footwear', consumer prices went down by 0.1% (-0.1% in the Czech Republic as well). Prague registered especially lower prices of shoes and other footwear.