

Year-on-year inflation slightly dropped Consumer price indices – March 2008

The consumer price level in March decreased compared with February by 0.1%. A downward effect on the consumer price level, month-on-month, came mainly from the price drop in 'recreation and culture', 'food and non-alcoholic beverages' and 'alcoholic beverages, tobacco'. The year-on-year rise in consumer prices slowed down in March to 7.1% (from 7.5% in the two previous months).

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The **month-on-month** consumer price level decrease by 0.1% owed mainly to the price cut in package holidays by 2.7% due to the end of winter season. In 'food and non-alcoholic beverages', the drop in prices of some kinds of food continued for the second month. Lower were particularly prices of fruit by 4.5%, meat by 0.6%, eggs by 3.2%, flour by 5.3%, milk by 0.4%, other milk products by 1.4%, butter by 2.2%, sugar by 4.3%, chocolate and chocolate products by 1.5%. Prices of alcoholic beverages dropped by 1.3%, in which prices of spirits decreased by 1.2%, wine by 1.7% and bottled beer by 1.2%. In 'health', a 1.6% drop in prices was recorded in amounts paid by patients for drugs.

An upward effect on the price level came from the price increase in 'housing, water, electricity, gas and other fuels' and 'clothing and footwear'. Net actual rentals paid by tenants increased by 0.4% and rentals for housing in cooperative dwellings by 0.6%. In 'clothing and footwear', the increase in prices was influenced primarily by new seasonal models of clothes and footwear. In food, prices of vegetables grown for fruit were higher by 8.9%. Prices of bread and cereals went up by 0.6% due to the prices growth of namely rolls and baguettes and rice (by 2.6% and 1.1%, respectively). In 'transport', prices of automotive fuel went up by 0.4%. In 'restaurants and hotels', prices in both restaurants and school canteens rose by 0.4% and in company canteens by 0.6%.

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

In terms of the **year-on-year** comparison, in March, the increase in consumer prices was 7.1%, i.e. 0.4 percentage point down on February and January. The price growth slowdown came mainly from prices in 'alcoholic beverages, tobacco', in which the rise in prices of tobacco products slowed down to 19.1% (23.0% in February). A moderate slowdown in price growth was recorded also for 'food and non-alcoholic beverages' and 'transport'. In food, a rise in prices slowed down primarily in fruit to 13.5% (20.8% in February) and in flour to 36.8% (51.3% in February). In 'transport', prices of automotive fuel went up by 12.7% (15.9% in February).

On the other hand, in housing, the price growth accelerated slightly. Net actual rentals increased by 18.1%, of which for dwellings with regulated rentals by 29.8%, while for dwellings with market rentals by 1.5%. Prices of natural gas increased by 16.5%, electricity by 9.5%, heat and hot water by 11.3% and solid fuels by 19.3%. Water supply and sewerage collection charges were higher (by 8.3% and 9.1%, respectively). Prices of several kinds of food were further markedly higher than in the previous year. Prices of bread were higher by 35.9%, rolls and baguettes by 34.2%, eggs by 25.9%, milk by 28.9%, cheese by 21.0%, unsalted butter by 15.3% and edible oils by 27.5%. In 'restaurants and hotels', prices in restaurants, school canteens and company canteens rose (by 6.5%, 8.8% and 10.2%, respectively).

Compared with 2007, prices of clothing were lower by 2.5%, prices of devices and household appliances by 1.5%, prices of transport vehicles by 1.9% and prices of audio-visual and

photographic equipment and data-processing equipment by 11.6%. In food, mainly prices of potatoes, sugar and vegetables grown for fruit were lower, year-on-year, (by 40.6%, 5.4% and 3.9%, respectively). In communications, prices of mobile phones decreased by 20.2% and prices of telephone and telefax services by 2.1% due to commercial discounts provided by mobile operators.

Prices of goods in total grew by 6.7% and prices of services by 7.8%.

Inflation rate, i.e. the increase in the **average consumer price index in the twelve months to March 2008** compared with the average CPI in the previous twelve months, stood at 4.3% in March (0.4 percentage point up compared with February 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 3.4% in **February** (the same as in January). The highest annual rates were observed in Latvia (16.5%) and Bulgaria (12.2%), and the lowest rate in the Netherlands (2.0%). The growth of consumer prices in Slovakia accelerated to 3.4% in February (from 3.2% in January). In Germany, the price growth was the same as in January, i.e. 2.9%.

According to preliminary calculations, the HICP in the **Czech Republic in March 2008** decreased by 0.2%, **month-on-month**, and slowed down to 7.1% (from 7.6% in February), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in March 2008** was 3.5%, y-o-y, as Eurostat announced.

In March 2008, in comparison to February 2008, consumer prices dropped by 0.1% in **households of pensioners** and by 0.1% in **households of employees** as well. Both types of households recorded a lower consumer price index for 'recreation and culture': households of pensioners by 0.4% and households of employees by 0.8%. The decrease was affected particularly by lower prices of domestic recreational stays and recreational stays abroad and also prices of information processing equipment and photographic and cinematographic equipment and optical instruments. Lower index was registered for 'alcoholic beverages, tobacco' (0.8% for pensioners and 0.5% for employees) due to drop in prices of wine, spirits and beer (consumer prices of tobacco remained unchanged month-on-month). On the other hand, a higher index was recorded for 'clothing and footwear' (0.9% for pensioners, 1.1% for employees) primarily due to higher prices of underwear and knitwear and also footwear. The consumer price index for 'restaurants and hotels' was up 0.4% for pensioners and also 0.4% for employees, as a result of higher prices of meals in restaurants, company canteens and school canteens.

In the capital city of Prague, the overall consumer price index (cost of living) increased by 0.3% month-on-month (a drop by 0.1% in the whole Czech Republic). The consumer price index for 'clothing and footwear' rose by 1.3% (1.0% in the Czech Republic) due to higher prices of underwear and knitwear and also footwear. Prague registered a higher index for 'housing, water, electricity, gas and other fuels' by 0.9% (0.3% in the Czech Republic) particularly due to price increases in net actual rentals paid by tenants and rentals for housing in cooperative dwellings. The consumer price index for 'restaurants and hotels' rose by 0.4% (0.3% in the Czech Republic), affected mainly by higher prices of meals in restaurants, company canteens and school canteens. On the other hand, a decrease occurred in 'recreation and culture' by 0.9% (0.9% in the Czech Republic too) as a result of lower prices of domestic recreational stays and recreational stays abroad and also prices of information processing equipment and photographic and cinematographic equipment and optical instruments. The consumer price index for 'health' dropped by 0.9% (by 0.6% was recorded for the whole Czech Republic), which was affected by lower amounts paid by patients for drugs.