

ANALYSIS

9 January 2014

Consumer price indices in Q4 2013 and in the year 2013

The total consumer price level decreased by 0.1% in Q4 2013 compared with Q3 2013. Consumer prices rose by 1.1% in Q4 2013, year-on-year, which was 0.1 percentage point down on Q3 2013.

The **quarter-on-quarter** (q-o-q) price level decrease in Q4 2013 came from the decline in prices in the five divisions of the consumer basket. The deepest price decline was shown in 'recreation and culture', as a result of lower prices of package holidays (-10.3%) due to the end of main season. The price decrease occurred also in 'communication', where the drop in prices of mobile phones and telephone and telefax services continued, albeit slightly slower. In 'health', prices of spa stays fell by 8.5% for the same reason. In 'transport', the q-o-q price drop came primarily from lower fuel prices (-1.9%). In 'furnishings, household equipment and routine household maintenance', the decrease in prices of household textiles and household appliances continued. On the other hand, some divisions of the consumer basket showed the increase in prices, of which the most in 'clothing and footwear' due to higher prices of new seasonal models, which were offered on the market primarily in October. In 'alcoholic beverages and tobacco', prices of tobacco products and beer rose (2.0% and 1.1%, respectively). Food prices recorded double-sided price movements. A growing tendency was registered for prices of milk, cheese, yoghurts and butter. Prices of these products had the growing tendency in all the quarters 2013, which showed an increase in their price range from 4.1% to 4.5% in Q4. On the other hand, prices of vegetables and fruit were lower than in Q3.

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Consumer price indices (the previous quarter = 100)

DIVISION	2012	2013			
	Q4	Q1	Q2	Q3	Q4
TOTAL	100.0	101.4	100.2	99.7	99.9
Food and non-alcoholic beverages	101.2	103.8	101.4	98.9	100.1
Alcoholic beverages and tobacco	101.3	100.7	100.8	100.5	101.1
Clothing and footwear	103.6	94.8	104.3	98.0	104.7
Housing, water, electricity, gas and other fuels	99.9	102.3	99.5	99.4	100.0
Furnishings, household equipment and routine household maintenance	100.2	100.1	99.7	99.2	99.4
Health	100.1	101.1	100.4	100.1	99.3
Transport	99.1	100.2	99.9	100.5	99.2
Communication	96.9	99.3	94.9	96.9	98.8
Recreation and culture	97.3	101.3	99.6	102.1	98.0
Education	100.8	100.2	100.1	100.3	100.7
Restaurants and hotels	100.2	100.7	100.6	100.5	100.1
Miscellaneous goods and services	100.6	100.9	100.5	99.4	100.0

Consumer prices rose by 1.1%, **year-on-year (y-o-y)**, in **Q4 2013 compared with Q4 2012**, i.e. by 0.1 percentage point less than in Q3 2013. A deceleration of the y-o-y price growth occurred primarily in 'food and non-alcoholic beverages', 'health' and 'miscellaneous goods and services'. In 'furnishings, household equipment and routine household maintenance', the drop in prices deepened and thereby their effect on the decrease in the price level rose. Prices in 'clothing and footwear', 'recreation and culture' had influence in the opposite direction, hence in the growth of the overall consumer price level. In 'transport' and 'communication', the y-o-y drop in prices slowed down and thereby it's reducing effect on the overall consumer price index. The growth of market prices in Q3 slowed down to 1.1% from 1.2% and that of regulated¹⁾ prices decelerated to 1.4% from 1.6% in Q3.

¹⁾ Prices, which are fully or partly regulated

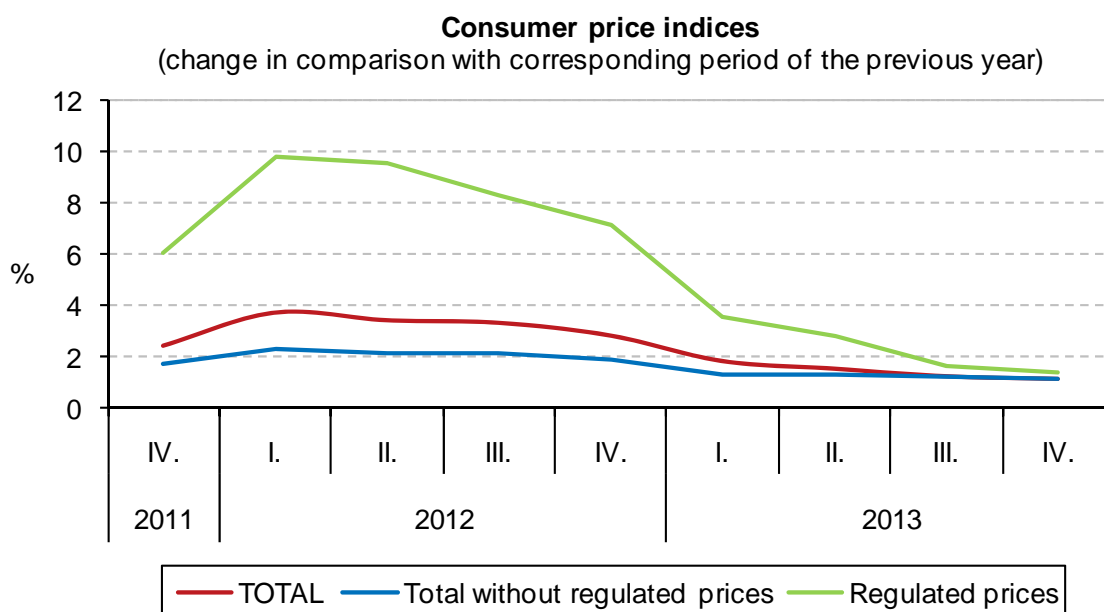
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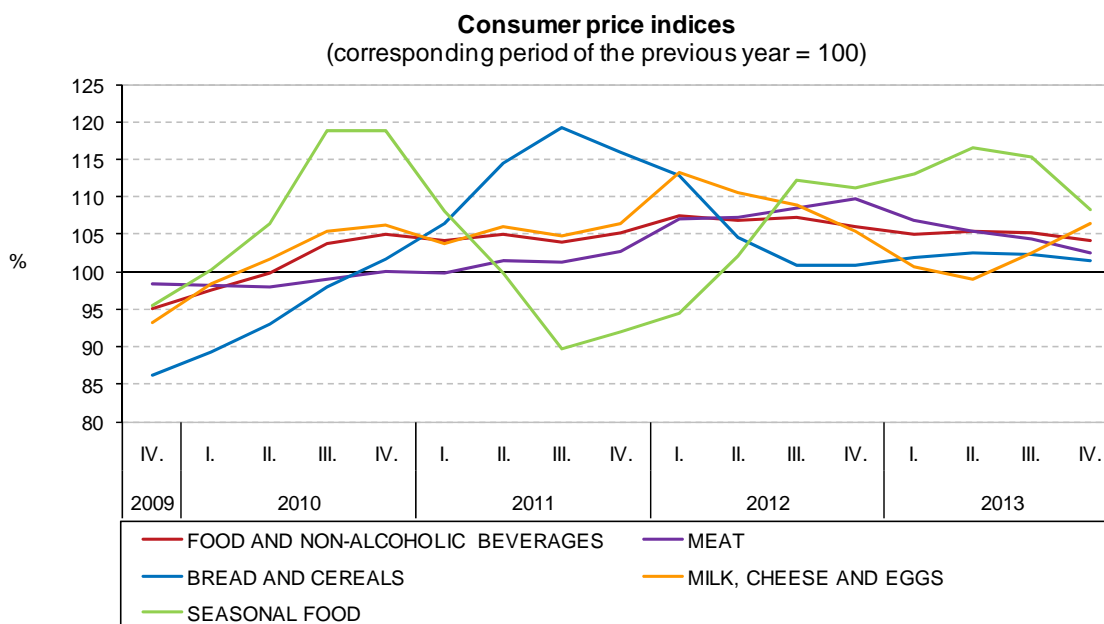
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In 'food and non-alcoholic beverages', a reduction of the y-o-y price growth was due to a slowdown in the increase in prices of bread and cereals, meat, fruit and vegetables. On the other hand, the rise in prices of milk, cheese, yoghurts, other milk products and butter accelerated. Potato prices were still markedly higher (71.8%) in Q4 2013 compared with Q4 2012.



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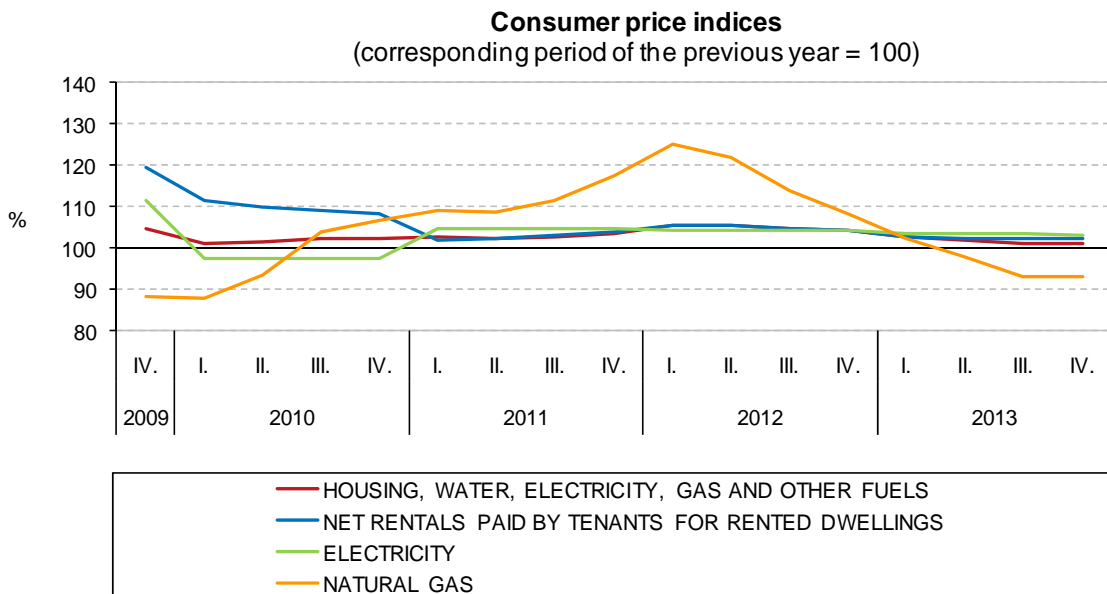
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In **'housing, water, electricity, gas and other fuels'**, the y-o-y growth of prices in the majority of items in Q4 remained almost the same as in Q3. Prices of electricity, which stagnated since January 2013, declined slightly in December. It caused a slowdown of their y-o-y growth in Q4. The y-o-y rise in prices of natural gas went down gradually since Q1 2012 and this trend culminated in Q2 and Q3 2013, when prices of natural gas moved into the y-o-y fall, which lasted also in Q4.



In **'transport'**, the y-o-y price drop in Q4 decelerated due to the increase in car prices, in particular. Fuel prices remained in Q4 lower, y-o-y, in spite of their growth in December. The development of consumer prices for fuel in relation to the prices of industrial producers and the import prices of oil products is shown in the following chart.

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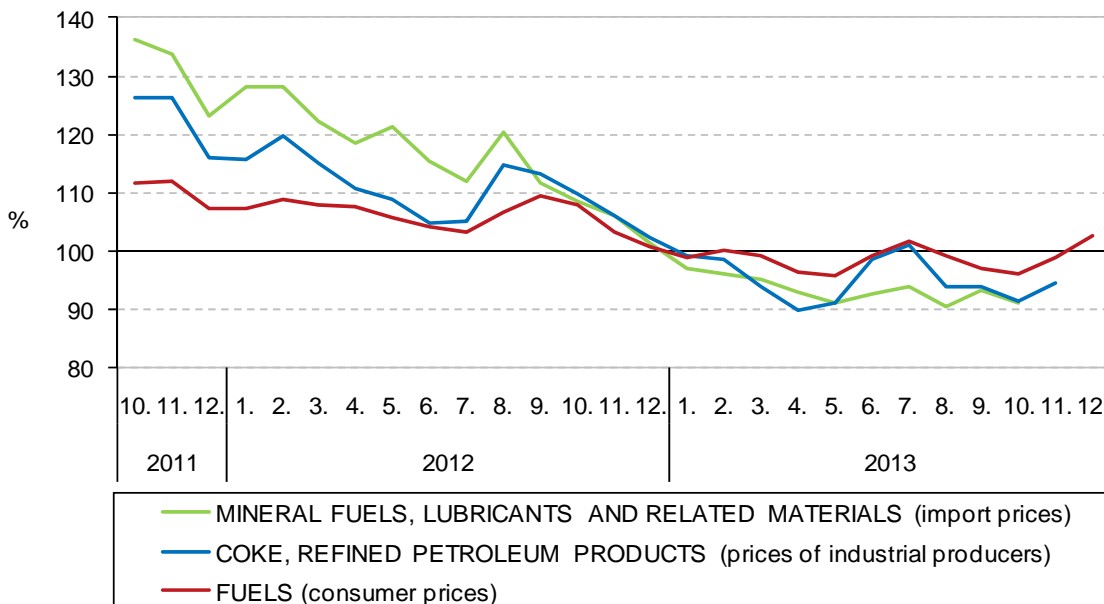
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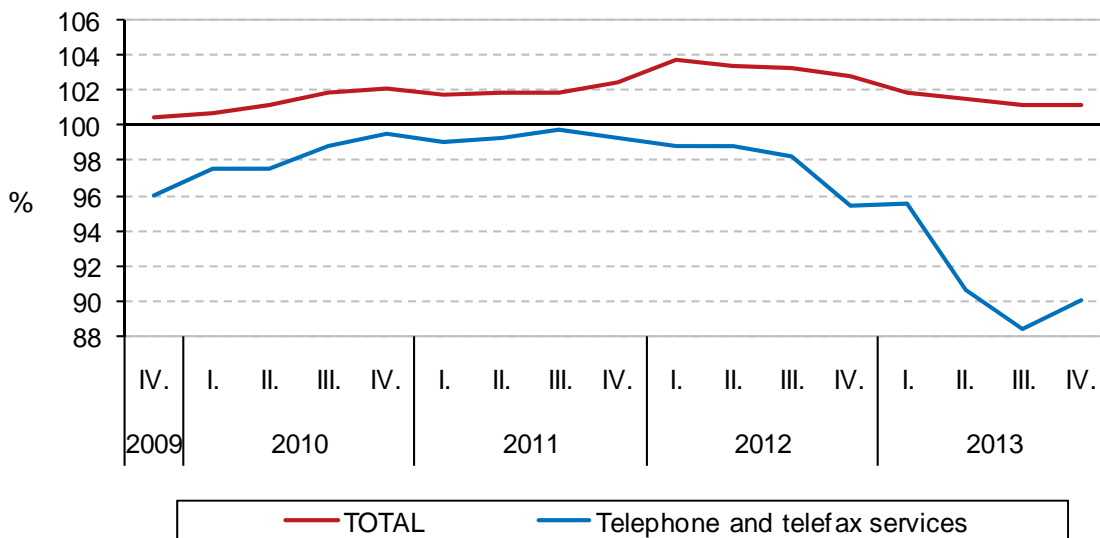
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Price indices of petroleum products
(corresponding period of the previous year =100)



In 'communication', a decline in prices of the telephone and telefax services continued, albeit at a slower pace.

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



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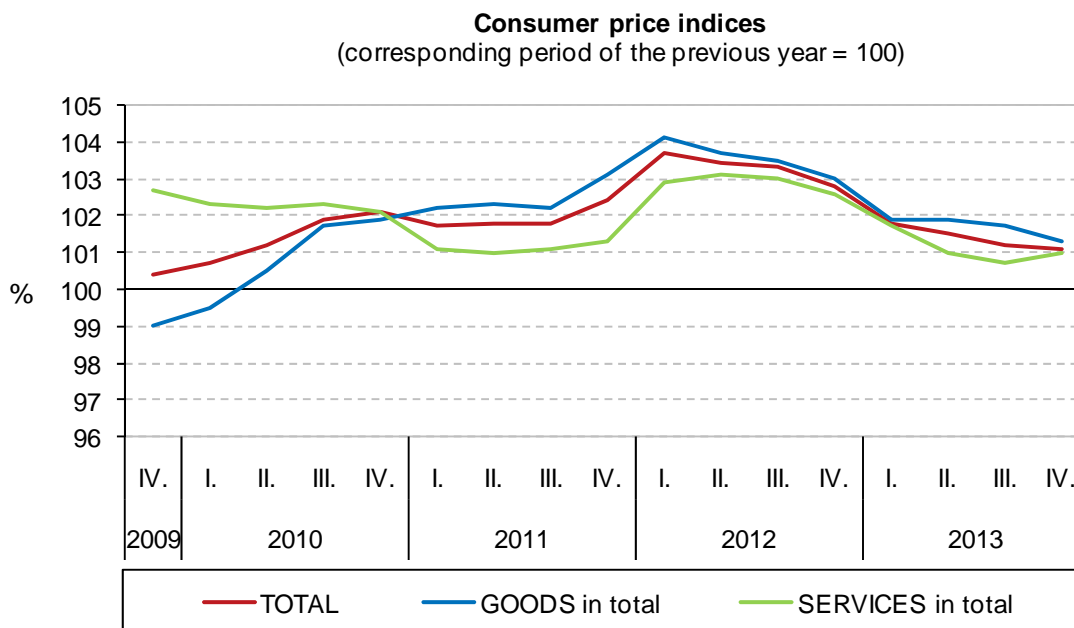
In '**alcoholic beverages and tobacco**', a slowdown in the price growth was influenced primarily by prices of beer, which showed a rather marked increase since Q4 2012, which dropped in Q3 and primarily in Q4 2013.

In '**health**', the price rise in amounts paid by patients for drugs slowed down due to their higher increase in Q4 2012 (the average m-o-m rate of growth 0.3%) and in Q4 2013 (the average m-o-m rate of growth -0.3%).

Similarly, in '**miscellaneous goods and services**', the price rise decelerated due to higher prices in Q4 2012, primarily appliances, articles and products for personal care.

The **y-o-y drop in prices** continued at household appliances, mobile phones, equipment for the reception, recording and reproduction of sound and pictures in Q4 2013.

The rise in prices of **goods in total** slowed down to 1.3% in Q4 (1.7% in Q3) and prices of **services** accelerated to 1.0% (0.8% in Q3).



Harmonized index of consumer prices in the EU28

According to Eurostat data, the y-o-y increase in the average harmonized index of consumer prices (HICP) in the EU28 was 0.9% **in October** and 1.0% **in November**. In the Czech Republic (CR), the y-o-y change of the HICP was 0.8% and 1.0% in the same months.

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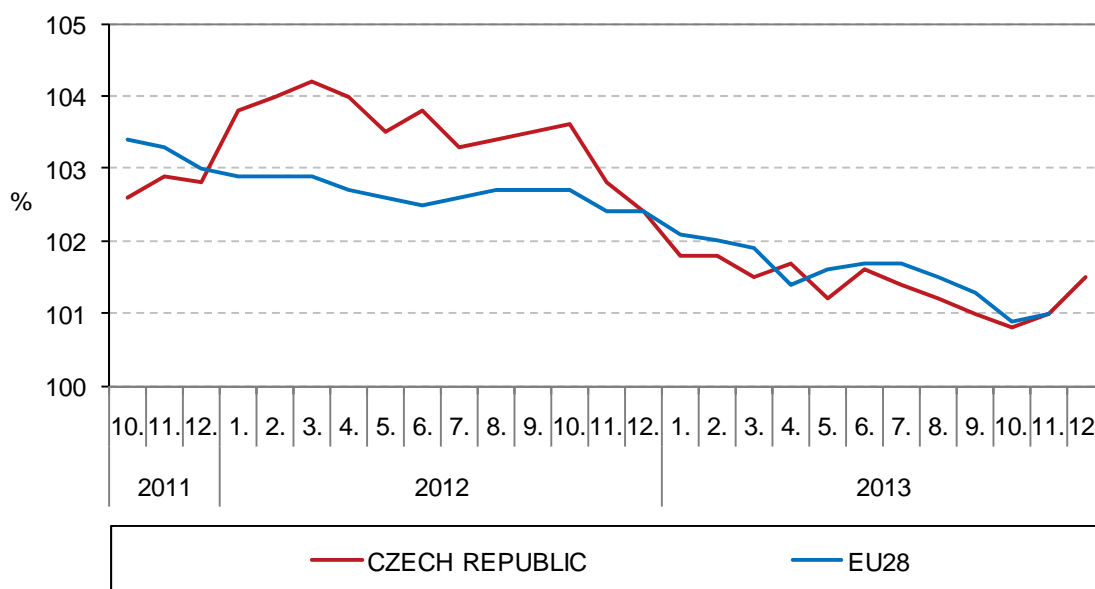
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According to preliminary data, the HICP growth in the CR amounted to 1.5% in **December**. It can be seen in the chart below that the y-o-y HICP in the CR was higher than the average HICP in the EU28 member states in 2012. The difference started to reduce in the last months of the year 2012 and these values came close in 2013 with the fact that both the increase HICP EU28 and the increase HICP in the Czech Republic had a downward trend.

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



The **average inflation rate in 2013** reached 1.4%, which was a value by 1.9 percentage point less than in 2012 and the least since 2009. Inflation rate in 2013 was influenced by the month of January, in which consumer prices rose by 1.3%, m-o-m, which was by 0.5 percentage points less than in January 2012. This led to a slowdown in the y-o-y growth of prices in January 2013 to 1.9% from the value of 2.4% in December 2012. The slowdown in the y-o-y growth continued also in other months in 2013 and came, to a different extent, from prices in almost all divisions of the consumer basket. The price development in January 2013 was influenced by the increase in the base VAT rate and the reduced VAT rate by 1 percentage point. The impact of this change on m-o-m increase in the consumer price increase in total amounted to a 0.8 percentage point growth according to the CZSO preliminary calculation.

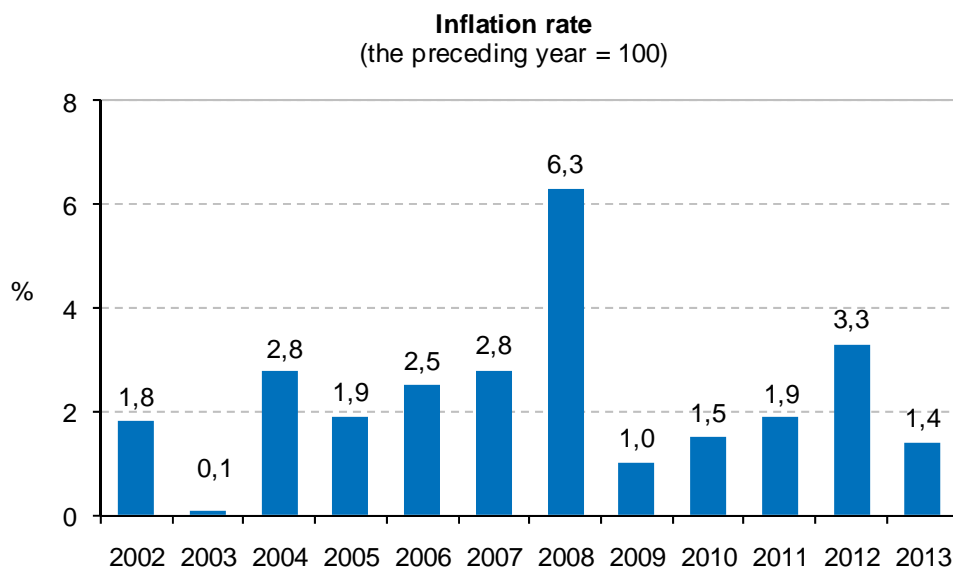
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The influence of respective divisions of the consumer basket on the price level increase by 1.4% in 2013 is illustrated in the breakdown of the total increase of the consumer price index.

Breakdown of the y-o-y change of the consumer price index in 2013 in percentage points

DIVISION	
TOTAL	1.4
Food and non-alcoholic beverages	0.7
Alcoholic beverages and tobacco	0.3
Clothing and footwear	0.0
Housing, water, electricity, gas and other fuels	0.5
Furnishings, household equipment and routine household maintenance	0.0
Health	0.1
Transport	-0.1
Communication	-0.3
Recreation and culture	0.0
Education	0.0
Restaurants and hotels	0.1
Miscellaneous goods and services	0.1

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It is clear from the table that prices in **'food and non-alcoholic beverages'** had the highest effect on the price level growth in 2013. Their y-o-y rise slowed down primarily in Q4 2013. Prices in 'food and non-alcoholic beverages' increased by 4.9% on average (6.9% in 2012), of which prices of meat by 4.8%, fish by 6.8%, fruit by 5.8%, vegetables by 21.0%, of which potatoes by 70.8%. Prices of milk rose by 9.0%, cheese by 5.2%, butter by 8.7%, which went up primarily in the second half in 2013.

The second biggest upward effect on the overall consumer price level came from prices in **'housing, water, electricity, gas and other fuels'**. All the main items of this segment of the consumer basket showed the reduction in the y-o-y price growth in January 2013, which remained basically constant the whole year in the net actual rentals, electricity, water supply, and sewage collection. A slowdown of the price growth occurred in heat and hot water in the year 2013. Prices of natural gas showed a y-o-y drop since May 2013. Prices of net actual rentals were higher by 2.3% in average in 2013, electricity higher by 3.3%, water supply by 6.7%, sewage collection by 7.2%, refuse collection by 11.0%, heat and hot water by 4.3%. Prices of natural gas were lower by 3.4%.

An upward effect on the overall price level owed to prices in **'alcoholic beverages and tobacco'**, where prices of alcoholic beverages rose by 3.4% and tobacco products by 3.8% (due to the increase in the excise tax since January 2013).

A downward effect on the overall price level came from 'communication' due to lower prices of mobile providers and 'transport' due particularly to the development of fuel prices.

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Consumer price indices in Q4 2013 and in the year 2013

COICOP	Division	Constant weights of 2010 per mille	2013							
			Corresponding period of last year = 100							
			Q1	Q2	Q3	October	November	December	Q4	year
0	Total	1000.0	101.8	101.5	101.2	100.9	101.1	101.4	101.1	101.4
01	Food and non-alcoholic beverages	149.8	104.9	105.4	105.3	103.5	103.9	104.8	104.1	104.9
01.11	<i>Bread and cereals</i>	23.6	101.8	102.5	102.4	102.2	101.2	100.9	101.4	102.0
01.12	<i>Meat</i>	35.1	106.9	105.4	104.3	102.6	102.4	102.5	102.5	104.8
02	Alcoholic beverages and tobacco	96.0	103.6	104.2	103.4	103.1	103.0	103.5	103.2	103.6
03	Clothing and footwear	35.9	97.2	97.9	100.3	101.3	100.9	101.6	101.3	99.1
04	Housing, water, electricity, gas and other fuels	280.3	102.6	102.0	101.2	101.3	101.3	101.2	101.2	101.8
04.111	<i>Net rentals paid in rented dwellings</i>	37.8	102.6	102.1	102.2	102.4	102.5	101.4	102.1	102.3
04.511	<i>Electricity</i>	44.0	103.3	103.3	103.3	103.3	103.3	102.7	103.1	103.3
04.521	<i>Natural gas</i>	28.6	102.1	97.9	93.1	93.1	93.0	93.0	93.1	96.6
05	Furnishings, household equipment and routine maintenance of the house	58.0	99.2	99.2	99.2	98.9	98.0	98.1	98.4	99.0
06	Health	23.1	103.5	103.6	101.8	101.4	100.8	100.4	100.9	102.4
07	Transport	105.0	99.2	98.8	99.6	98.6	99.7	101.1	99.8	99.3
07.221	<i>Automotive fuels</i>	33.9	99.4	97.1	99.3	96.0	98.8	102.6	99.1	98.7
08	Communication	36.1	95.1	90.5	88.6	88.8	90.7	91.0	90.2	91.1
09	Recreation and culture	90.4	99.9	99.9	100.4	100.8	101.1	100.9	101.0	100.3
09.60	<i>Package holidays</i>	18.8	102.5	102.5	104.0	104.4	106.2	105.1	105.2	103.6
10	Education	7.8	101.6	101.5	101.4	101.2	101.2	101.1	101.1	101.4
11	Restaurants and hotels	48.6	102.4	101.9	102.0	101.8	101.8	101.8	101.8	102.0
12	Miscellaneous goods and services	69.0	101.7	102.1	101.5	101.2	100.3	101.1	100.9	101.6

Elaborated by Consumer Prices Statistics Unit of the CZSO

Contact:

Jiri Trexler

Consumer Prices Statistics Unit

E-mail: jiri.trexler@czso.cz

Phone: (+420) 274 054 137

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