

ANALYSIS

9 April 2014

Consumer price indices in Q1 2014

The total consumer price level increased by 0.4% in Q1 2014 compared with Q4 2013. Consumer prices rose by 0.2% in Q1 2014, year-on-year, which was 0.9 percentage points down on Q4 2013.

The **quarter-on-quarter** (q-o-q) price level increase in Q1 2014 came primarily from the rise in prices in 'food and non-alcoholic beverages'. This increase was due primarily to higher seasonal prices of fruit and vegetables (13.9% and 11.6%, respectively). However, the rise in prices occurred in a lesser extent also in the majority of other food. This applied especially to milk, cheese, eggs, yoghurts and other milk products, prices of which rose by 4.4% on average. The drop in prices occurred mainly in coffee and tea. The more significant rise in prices was observed also in 'alcoholic beverages and tobacco' due to higher prices of alcoholic beverages by 2.9%. In 'transport', the moderate q-o-q price growth came from the increase in prices of fuel, new cars and transport services (in the range from 0.7% to 1.2%). Lower prices in Q1 2014 compared with Q4 2013 were in four divisions of the consumer basket. In 'clothing and footwear', prices dropped the most due to clearance prices in January and February. A fall in prices in 'housing, water, electricity, gas and other fuels', was caused by lower prices of natural gas and electricity. In 'health', prices dropped due to the abolition of the regulatory fee for the stay in hospital. In 'communication', the drop continued in prices of mobile phones and telephone and telefax services.

Consumer price indices (the previous quarter = 100)

DIVISION	2013				2014
	Q1	Q2	Q3	Q4	Q1
TOTAL	101.4	100.2	99.7	99.9	100.4
Food and non-alcoholic beverages	103.8	101.4	98.9	100.1	103.6
Alcoholic beverages and tobacco	100.7	100.8	100.5	101.1	101.6
Clothing and footwear	94.8	104.3	98.0	104.7	95.7
Housing, water, electricity, gas and other fuels	102.3	99.5	99.4	100.0	98.6
Furnishings, household equipment and routine household maintenance	100.1	99.7	99.2	99.4	100.4
Health	101.1	100.4	100.1	99.3	96.9
Transport	100.2	99.9	100.5	99.2	100.6
Communication	99.3	94.9	96.9	98.8	99.6
Recreation and culture	101.3	99.6	102.1	98.0	100.8
Education	100.2	100.1	100.3	100.7	100.2
Restaurants and hotels	100.7	100.6	100.5	100.1	100.5
Miscellaneous goods and services	100.9	100.5	99.4	100.0	100.8

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Consumer prices rose only by 0.2%, **year-on-year** (y-o-y), in Q1 2014 compared with Q1 2013, which was by 0.9 percentage points less than in Q4 2013. The marked deceleration of the y-o-y price growth was caused by the different month-on-month (m-o-m) price increase in January 2014 and January 2013. In January 2014 prices grew only by 0.1%, which was the lowest January m-o-m price increase since 1993. Prices went up by 1.3%, m-o-m, in January 2013, i.e. by 1.2% more than in January 2014. This difference was shown in a slowdown in the y-o-y price growth in January 2014 to 0.2% from 1.4% in December 2013. The influence of the individual divisions of the consumer basket on the overall consumer price index at the turn of 2013/ 2014 is quantified in the breakdown of the total increase in consumer prices.

Breakdown of the y-o-y change in consumer price indices

COICOP	DIVISION	year-on-year change in percentage points					
		2013			2014		
		October	November	December	January	February	March
0	TOTAL	0.9	1.1	1.4	0.2	0.2	0.2
01	FOOD AND NON-ALCOHOLIC BEVERAGES	0.5	0.6	0.7	0.6	0.7	0.6
02	ALCOHOLIC BEVERAGES AND TOBACCO	0.3	0.3	0.3	0.4	0.4	0.4
03	CLOTHING AND FOOTWEAR	0.0	0.0	0.1	0.1	0.1	0.1
04	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE	0.4	0.4	0.3	-0.7	-0.7	-0.6
05	HOUSEHOLD MAINTENANCE	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
06	HEALTH	0.0	0.0	0.0	-0.1	-0.1	-0.1
07	TRANSPORT	-0.1	0.0	0.1	0.1	0.0	-0.1
08	COMMUNICATION	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3
09	RECREATION AND CULTURE	0.1	0.1	0.1	0.0	0.1	0.1
10	EDUCATION	0.0	0.0	0.0	0.0	0.0	0.0
11	RESTAURANTS AND HOTELS	0.1	0.1	0.1	0.1	0.1	0.1
12	MISCELLANEOUS GOODS AND SERVICES	0.1	0.0	0.1	0.1	0.0	0.1

It can be seen in the table that the price growth in Q1 2014 came especially from prices in 'food and non-alcoholic beverages' and 'alcoholic beverages and tobacco'. On the other hand, a drop in prices in January and thus in the Q1 2014 occurred (for the first time since the establishment of the Czech Republic) in 'housing, water, electricity, gas and other fuels' due to lower energy prices.

The impact of the prices of items contained in 'housing, water, electricity, gas and other fuels' results from the overall consumer price index excluding housing, water, electricity, gas and other fuels. In Q1 2014, consumer prices rose by a total of 0.2%; excluding housing items it was by 1.2%.

A slowdown in the y-o-y price growth came from a drop in prices in **'health'** due to the abolition of the regulatory fee for a stay in hospital.

The effect of the decline in energy prices and the abolition of the regulatory fee were reflected in the values of the CPI excluding market items and the CPI excluding regulated items. In Q1 2014, consumer prices rose by 0.2%, y-o-y, of which market prices by 1.2%, while regulated prices dropped (-4.2%).

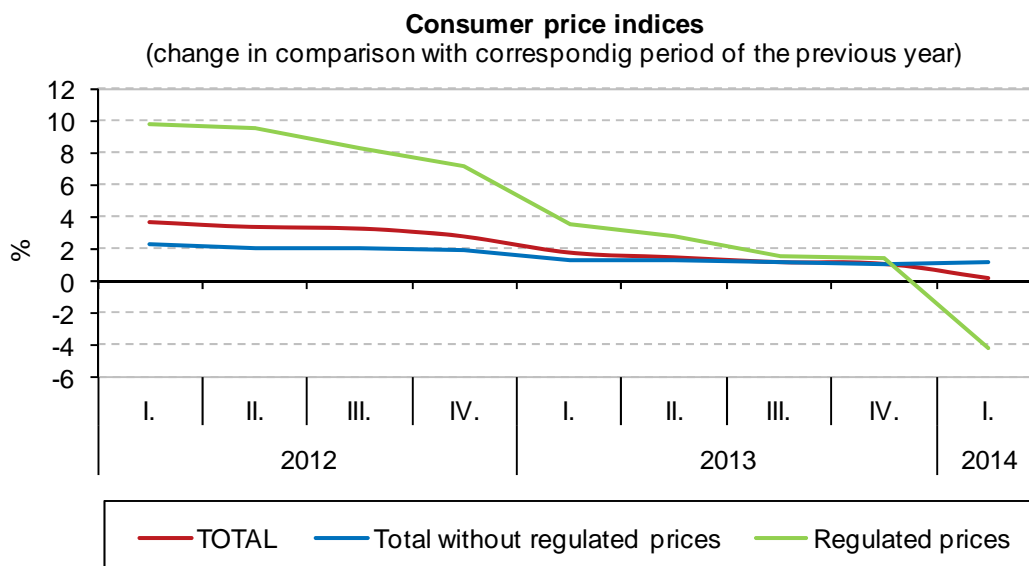
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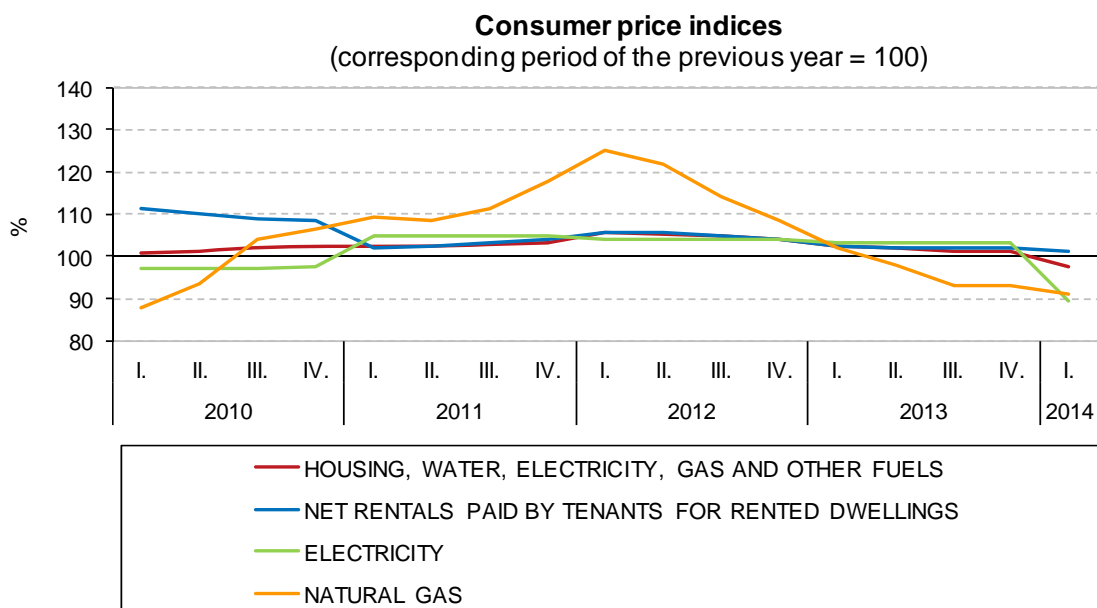
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A turn in the y-o-y price development occurred in **'housing, water, electricity, gas and other fuels'**, which was one of the main factors increasing inflation in previous years. This turn was caused by the reduction of prices of electricity and natural gas (-10.5% and -9.1%, respectively). Prices of the net actual rentals grew only by 1.1% in the whole Czech Republic, in spite of their complete deregulation. A slowdown of the growth of prices occurred in water supply to 3.4% (from 6.6% in Q4 2013) and sewage collection to 3.2% (from 7.0% in Q4 2013). Prices of heat and hot water were higher only by 0.9%.



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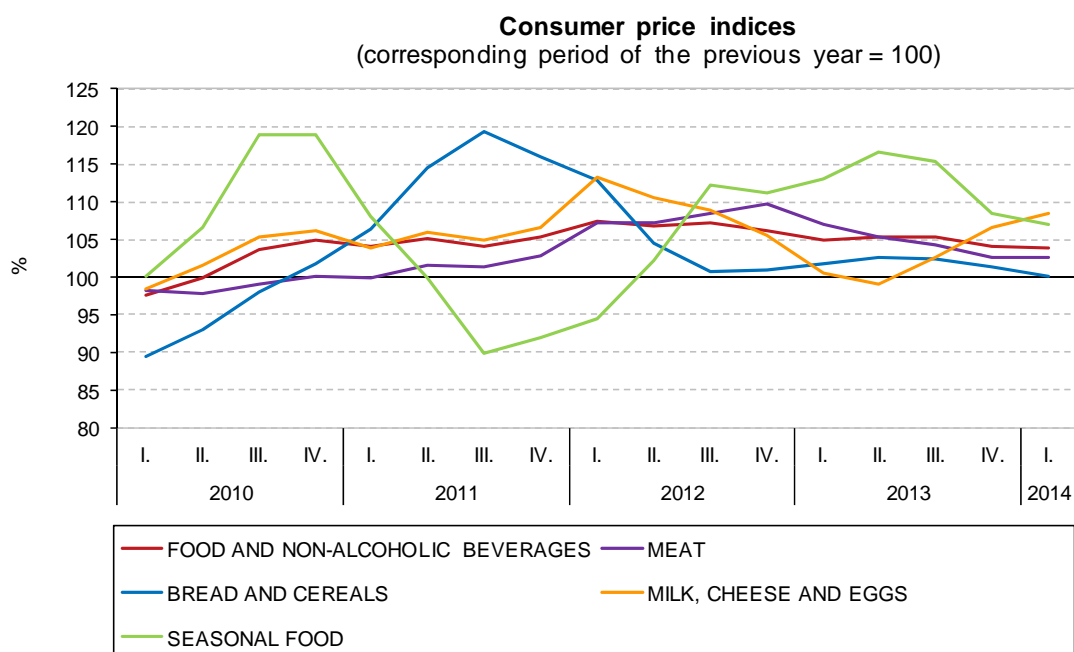
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In **'food and non-alcoholic beverages'**, a moderate reduction of the y-o-y price growth was due to a slowdown in the increase in prices of bread and cereals, oils and fats and a drop in prices of sugar and non-alcoholic beverages. The growth of potato prices slowed down markedly (from 71.8% in Q4 2013 to 28.0% in Q1 2014). On the other hand, prices of cheese, yoghurts, other milk products and fruit accelerated.



An acceleration of the y-o-y price growth was shown in **'alcoholic beverages and tobacco'**, where prices of alcoholic beverages were higher by 3.3% in Q1 2014 (+1.6% in Q4 2013) and prices of tobacco products by 5.1% (+4.8% in Q4 2013).

Also in **'clothing and footwear'**, the y-o-y rise accelerated in Q1 2014 due to prices of clothing, which increased by 0.8%, while in Q4 2013 they were lower by 1.3%. Prices of footwear rose by 7.4%.

In **'transport'**, prices moved from a slight drop in Q4 2013 into a mild growth in Q1 2014. It was due mainly to fuel prices, which have seen a similar trend. Prices of fuel increased significantly in January, y-o-y, stagnated in February and dropped in March. The development of fuel consumption prices 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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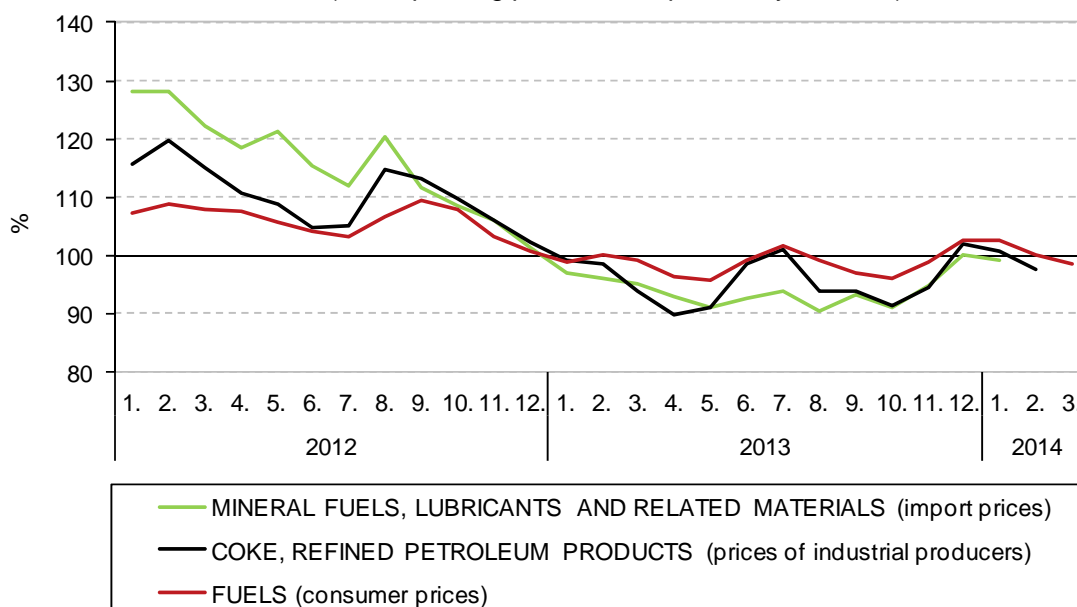
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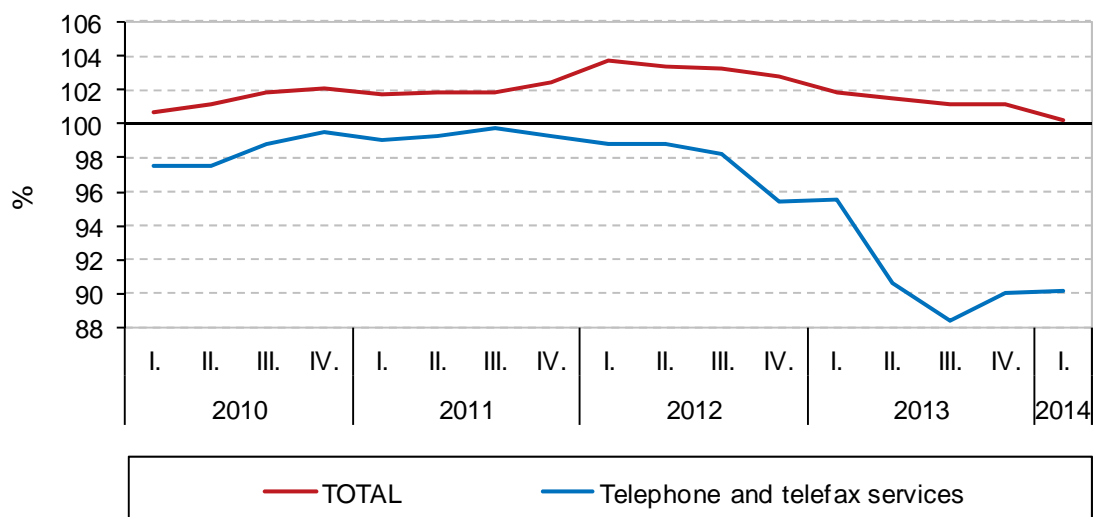
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Price indices of petroleum products
(corresponding period of the previous year = 100)



In **'communication'**, a decline in prices of the telephone and telefax services continued at about the same level as in Q4 2013.

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



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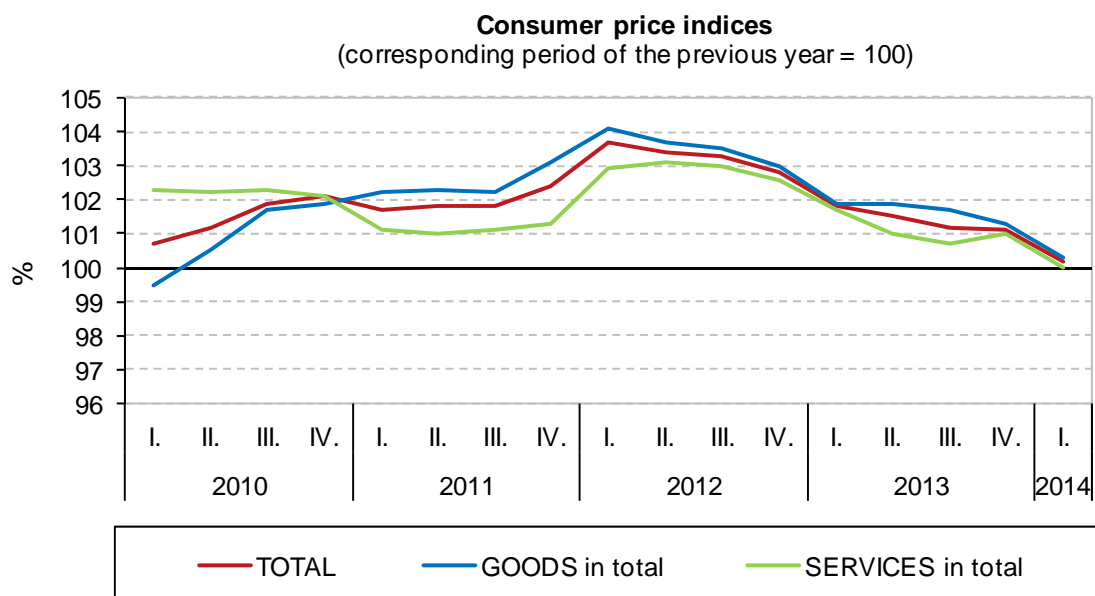
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The **y-o-y drop** in prices continued at household appliances, mobile phones, equipment for the reception, recording and reproduction of sound and pictures in Q1 2014.

The rise in prices of **goods in total** slowed down to 0.3% in Q1 2014 (1.3% in Q4 2013) and prices of **services** decelerated to 0.0% (1.0% in Q4 2013).



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 January** and 0.8% **in February**. In the Czech Republic (CR), the y-o-y change of the HICP was 0.3% in both the months. According to preliminary data, the HICP growth in the CR remained at the same level **in March**, too. It can be seen in the chart below that the gradual decrease in the y-o-y inflation occurred also in the EU. The HICP in the CR was higher y-o-y 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. Nevertheless, in Q1 2014, the increase in the HICP in the CR recorded a more substantial drop than the rise in the HICP EU28.

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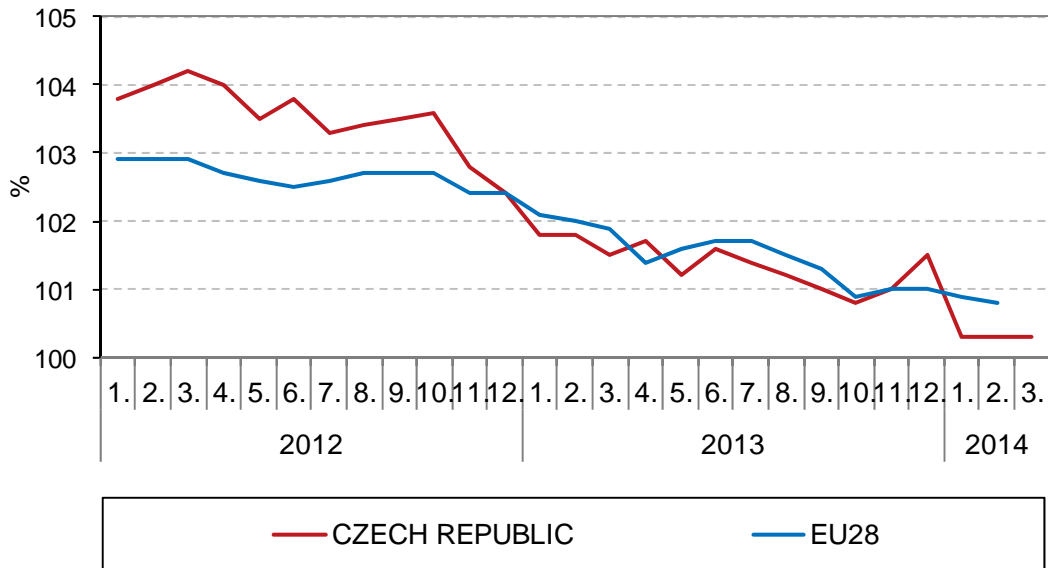
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Harmonized indices of consumer prices
(corresponding period of the previous year = 100)



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			Corresponding period of the previous year = 100							
			Q 1	Q 2	Q 3	Q 4	January	February	March	Q 1
0	Total	1000.0	101.8	101.5	101.2	101.1	100.2	100.2	100.2	100.2
01	Food and non-alcoholic beverages	170.8	104.9	105.4	105.3	104.1	103.9	104.2	103.7	103.9
01.11	<i>Bread and cereals</i>	27.2	101.8	102.5	102.4	101.4	99.7	100.6	100.2	100.2
01.12	<i>Meat</i>	40.6	106.9	105.4	104.3	102.5	102.6	101.9	103.2	102.6
02	Alcoholic beverages and tobacco	95.0	103.6	104.2	103.4	103.2	103.8	104.2	104.5	104.1
03	Clothing and footwear	32.9	97.2	97.9	100.3	101.3	102.0	102.1	102.9	102.3
04	Housing, water, electricity, gas and other fuels	265.6	102.6	102.0	101.2	101.2	97.6	97.6	97.7	97.6
04.111	<i>Net rentals paid in rented dwellings</i>	36.2	102.6	102.1	102.2	102.1	101.1	100.8	101.4	101.1
04.511	<i>Electricity</i>	47.4	103.3	103.3	103.3	103.1	89.5	89.5	89.5	89.5
04.521	<i>Natural gas</i>	29.3	102.1	97.9	93.1	93.1	90.9	90.9	90.9	90.9
05	Furnishings, household equipment and routine household maintenance	61.1	99.2	99.2	99.2	98.4	98.6	98.6	98.7	98.7
06	Health	23.8	103.5	103.6	101.8	100.9	96.2	96.7	97.1	96.7
07	Transport	101.3	99.2	98.8	99.6	99.8	101.0	100.1	99.3	100.1
07.221	<i>Automotive fuels</i>	36.1	99.4	97.1	99.3	99.1	102.5	100.0	98.4	100.3
08	Communication	30.6	95.1	90.5	88.6	90.2	90.2	90.2	90.9	90.4
09	Recreation and culture	87.6	99.9	99.9	100.4	101.0	100.5	100.6	100.5	100.5
09.60	<i>Package holidays</i>	19.1	102.5	102.5	104.0	105.2	103.6	103.8	104.1	103.8
10	Education	7.4	101.6	101.5	101.4	101.1	101.1	101.3	101.3	101.3
11	Restaurants and hotels	55.6	102.4	101.9	102.0	101.8	101.5	101.6	101.6	101.6
12	Miscellaneous goods and services	68.3	101.7	102.1	101.5	100.9	100.9	100.5	100.6	100.7

Elaborated by Consumer Prices Statistics Unit of the CZSO

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