

## INTRODUCTORY NOTE

The publication provides a general overview of the price level movements in the sphere of consumption.

A comprehensive revision of the weighting system was made in 2010-2011. Starting from 2012, the weights were determined on the base of household expenditure taken from the national accounts statistics in 2010. The weights of elementary aggregates were calculated using data from the 2010 Household Budget Survey. In January 2016, the CZSO began to publish price indices calculated according to new revised index patterns. The weights have been updated on the basis of household expenditure from the national accounts statistics in 2014. The structure of the 2010 Household Budget Survey, which is updated continuously based on other available sources and surveys, has been predominantly kept for elementary aggregates.

The valid Classification of Individual Consumption by Purpose (CZ-COICOP) was used.

Starting from January 2016, the price reference period of December 2013 for the price indices was changed to December 2015. Starting from January 2017, the indices, which are calculated using this base, are chained newly at all levels of the consumer basket with the base period average of 2015 = 100. A constant is used to transfer the index with the base period December 2015 = 100 into the index time series average of 2015 = 100 (index for December 2015 based on average of 2015 = 100). The index with the base period average of 2015 = 100 is calculated by multiplication of the constant by the index December 2015 = 100. From the resulting time series (on base average of 2015 = 100) the indices to other bases (previous month = 100, corresponding period of previous year = 100 and annual rolling average, i.e. the average of index numbers over the last 12 months to the average for the previous 12 months) are derived.

The calculation of the price indices is based on prices of representatives collected in selected reporting units by aggregating simple price indices into an aggregate using a modified Laspeyres formula.

$$I = \frac{\sum \frac{p_1}{p_0} * p_0 q_0}{\sum p_0 q_0} * 100$$

$p_1$  = the price of goods (service) in the reference (current) period.

$p_0$  = the price of goods (service) in the base period

$p_0 \cdot q_0$  = constant weight: household expenditure on goods (service) in the base period.

A detailed breakdown of the aggregate indices including methodological notes can be found on the CZSO website, in the *document 012023-17 Consumer Price Indices (Cost-of-Living) – detailed information*, which is available usually on the 25th calendar day following the reference period.