

## ANALYSIS

9 January 2015

### Consumer price indices in Q4 2014 and in the year 2014

The total consumer price level decreased (-0.2%) in Q4 2014 compared with Q3 2014. Consumer prices rose by 0.5% in Q4 2014, year-on-year, which was 0.1 percentage point down on Q3.

The **quarter-on-quarter** (q-o-q) price level decline (-0.2%) was influenced by a price drop in 'recreation and culture' as a result of lower prices of package holidays (-10.9%) due to the end of main recreational season. The price fall in 'transport' came from lower fuel prices (-3.6%) due to their significant decrease primarily in the last two months in 2014. In 'communication', the drop continued in prices of mobile phones, prices of postal services increased since December. A moderate price drop in 'food and non-alcoholic beverages' came especially from lower prices of some kinds of fruit and vegetables. Prices went up mainly in 'clothing and footwear' due to higher prices of new seasonal models, which were offered on the market primarily in October.

#### Consumer price indices (the previous quarter = 100)

DIVISION	2013	2014			
	Q4	Q1	Q2	Q3	Q4
TOTAL	99.9	100.4	100.2	100.1	99.8
Food and non-alcoholic beverages	100.1	103.6	99.0	98.7	99.8
Alcoholic beverages and tobacco	101.1	101.6	99.5	100.5	99.9
Clothing and footwear	104.7	95.7	105.0	98.1	105.0
Housing, water, electricity, gas and other fuels	100.0	98.6	100.2	100.4	100.1
Furnishings, household equipment and routine household maintenance	99.4	100.4	100.3	99.4	99.8
Health	99.3	96.9	101.8	100.9	100.1
Transport	99.2	100.6	100.1	100.8	98.6
Communication	98.8	99.6	99.4	98.8	99.5
Recreation and culture	98.0	100.8	99.7	102.2	97.2
Education	100.7	100.2	100.2	100.4	100.5
Restaurants and hotels	100.1	100.5	100.6	100.5	100.1
Miscellaneous goods and services	100.0	100.8	100.4	100.7	100.3

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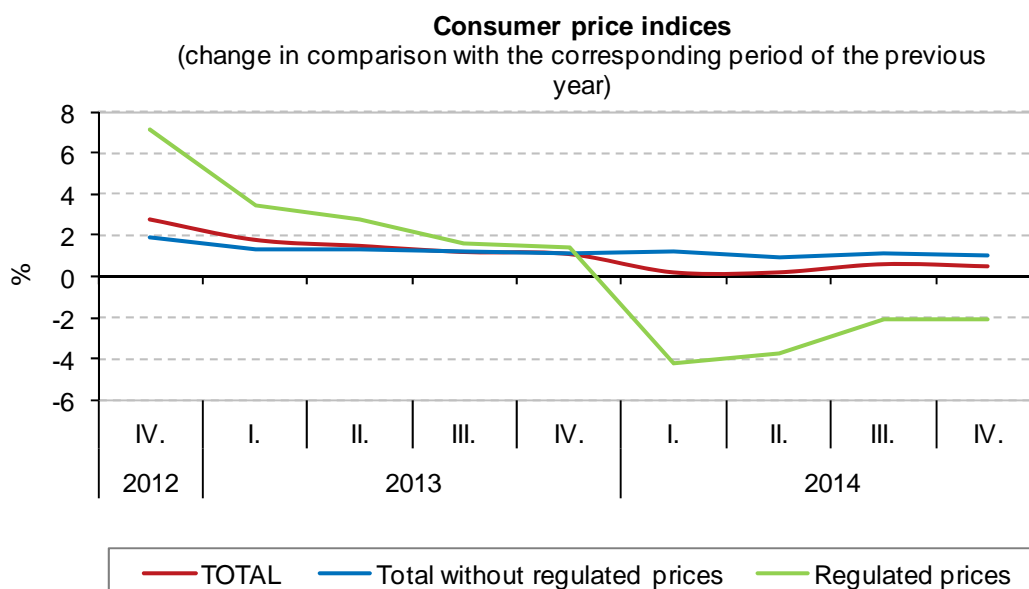
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Consumer prices rose by 0.5%, **year-on-year** (y-o-y), in Q4 2014, i.e. 0.1 percentage point down on Q3 2014. This deceleration in the y-o-y growth of prices was due to the weaker price rise primarily in 'alcoholic beverages and tobacco', 'food and non-alcoholic beverages' and due to the stop in the price growth in 'transport' and 'recreation and culture'. The acceleration in the y-o-y rise in 'clothing and footwear' and 'miscellaneous goods and services' and mitigating the decline in prices in some divisions of the consumer basket ('communication', 'furnishings, household equipment and routine household maintenance', 'health') influenced in an opposite direction.

The growth of market prices decelerated slightly to 1.0% in Q4 2014 from 1.1% in Q3 and the decrease in regulated prices<sup>1)</sup> remained the same as in Q3, i.e. -2.1%.



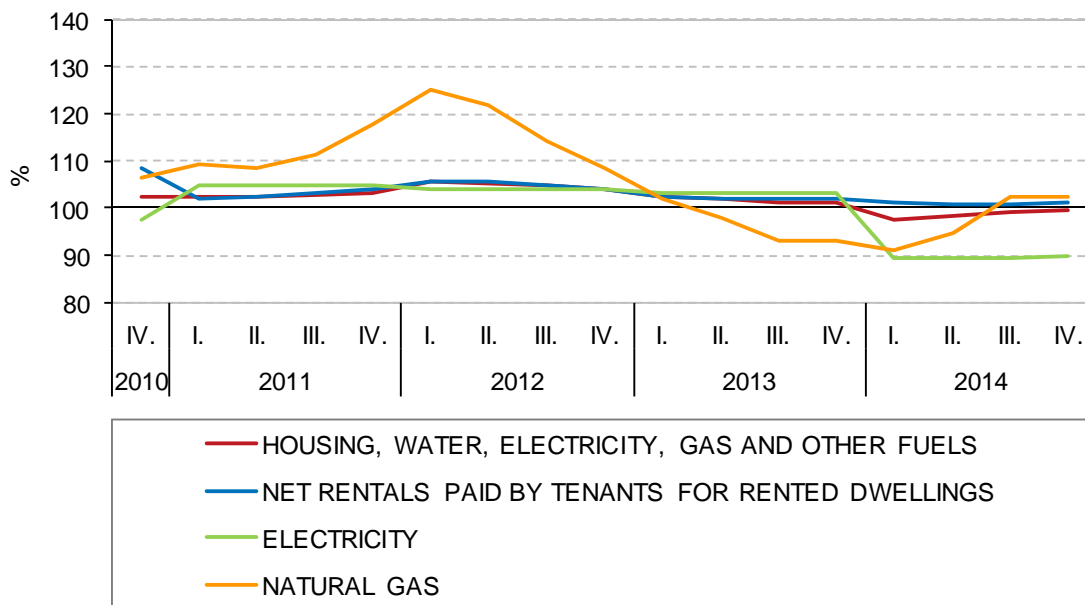
Decrease of regulated prices was caused primarily by the drop in prices in '**housing, water, electricity, gas and other fuels**' and '**health**', which occurred due to a decrease in energy prices and the abolition of the regulatory fee for a stay in hospital since January 2014. The drop in prices of both divisions decelerated in 2014. In 'housing, water, electricity, gas and other fuels', it was due to a slowdown in the drop in prices of natural gas since May, which turned to growth since July. The decline in prices of electricity slowed down since August 2014. In 'health', amounts paid by patients for pharmaceutical products rose continuously in particular.

Decreasing influence of prices of items contained in 'housing, water, electricity, gas and other fuels' is illustrated by the overall consumer price index without housing, water, energy, fuels. Consumer prices went up by 0.5% in total in Q4 2014 (after exclusion of items of housing it was by 0.9%).

<sup>1)</sup> Prices that are fully or partially regulated

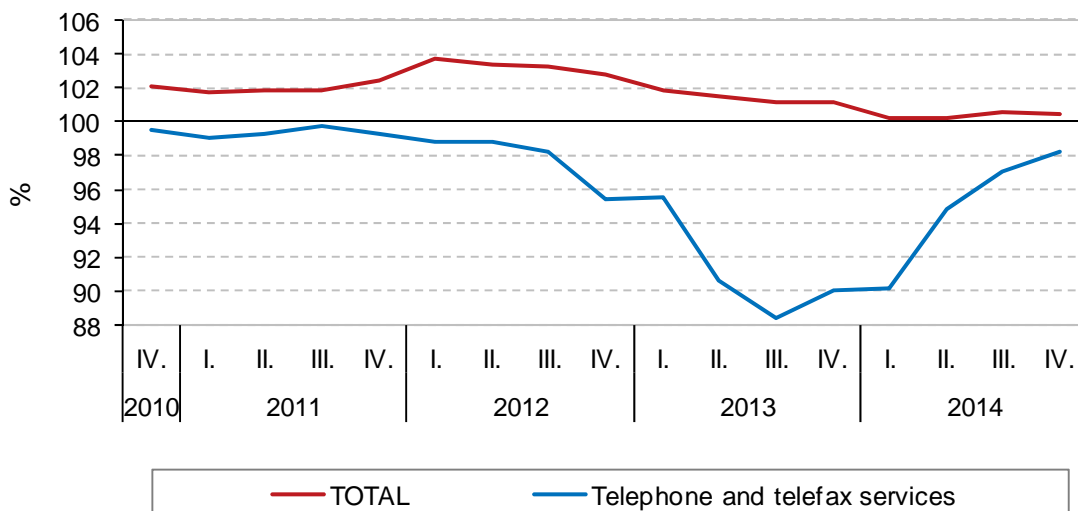
**ANALYSIS**

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



In **'communication'**, the y-o-y decline in prices of telephone and telefax services continued as well; it slowed down in the individual quarters of 2014.

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



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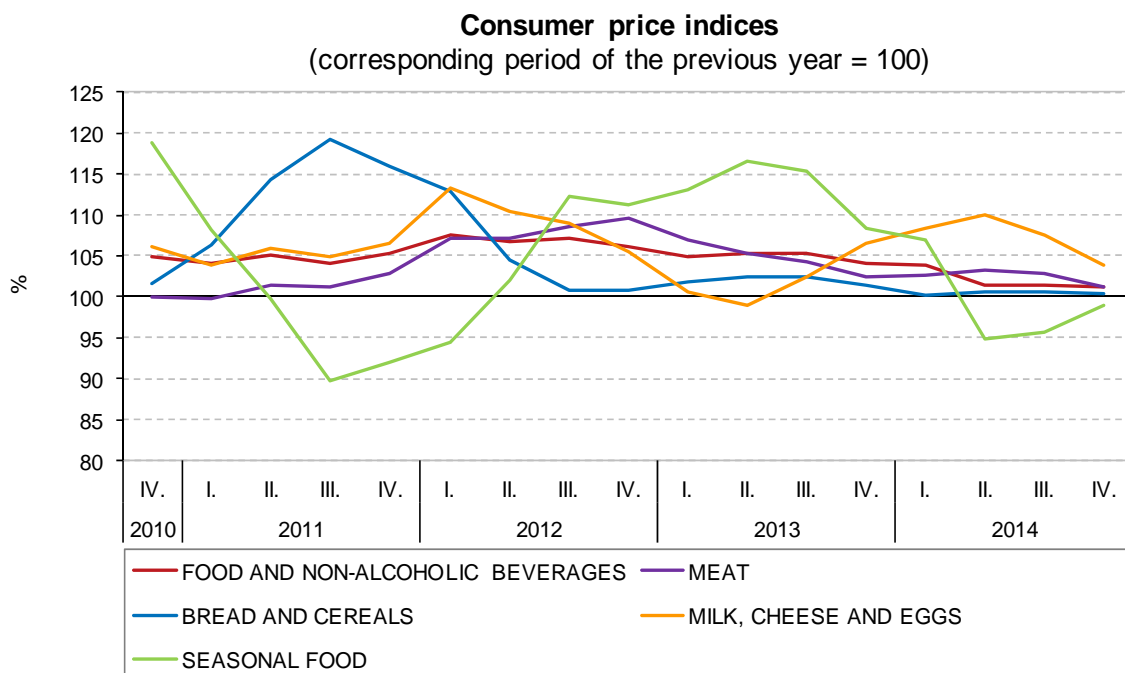
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In **'food and non-alcoholic beverages'**, a slowdown in the y-o-y price growth came from the higher price rise in Q4 2013 compared with Q4 2014. This was especially true for meat, milk, cheese, yoghurts, other milk products, butter. The fall in prices of vegetables slowed down due to prices of vegetables cultivated for their fruit, which were higher by 11.8% in Q4 (8.9% in Q3). On the other hand, a decline in prices of potatoes deepened to -44.5% from -38.9% in Q3.



In **'alcoholic beverages and tobacco'**, the price growth of alcoholic beverages slowed down to 1.0% from 2.6% in Q3 and tobacco products to 1.8% from 2.9% in Q3.

In **'transport'**, the price development in Q4 was especially due to the drop in fuel prices (-6.0%) and an increase in prices of new cars by 3.7% in December. 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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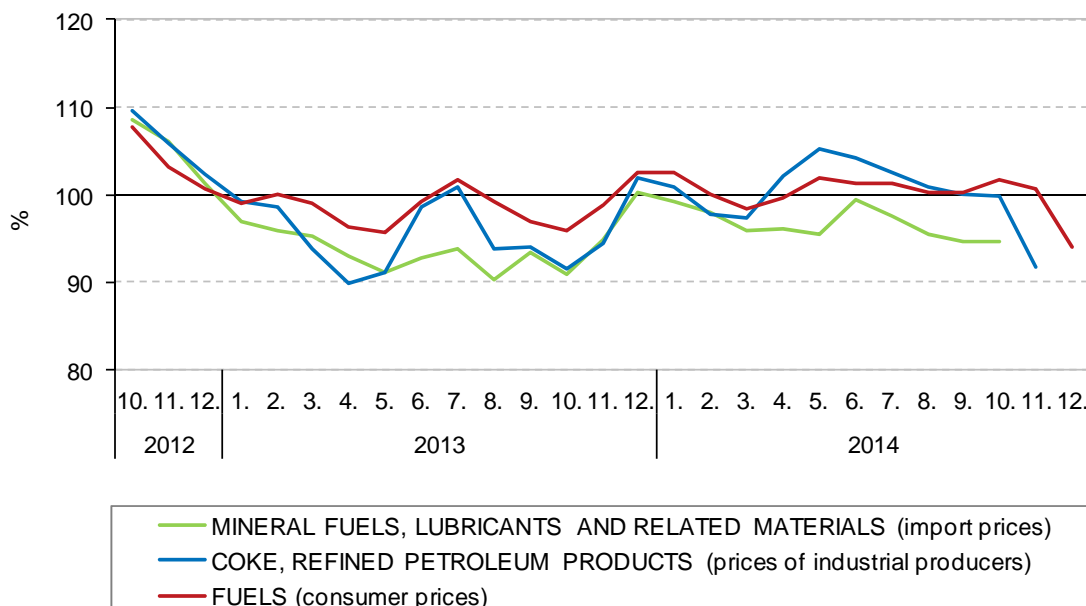
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**Price indices of petroleum products**  
(corresponding period of the previous year =100)



In '**recreation and culture**', the fall in Q4 came from a deeper decline in prices of equipment for the reception, recording and reproduction of sound and pictures (-10.1% from -8.2% in Q3) in particular. Prices of package holidays were higher by 3.5% (4.0% in Q3).

The **y-o-y drop** in prices continued at household appliances in 'furnishings, household equipment and routine household maintenance', albeit slightly slower.

Prices of **goods in total** turned from 0.3% growth in Q3 to the drop (-0.1%) in Q4 2014; prices of **services** accelerated to 1.2% in Q4 from the 1.1% growth in Q3 2014.

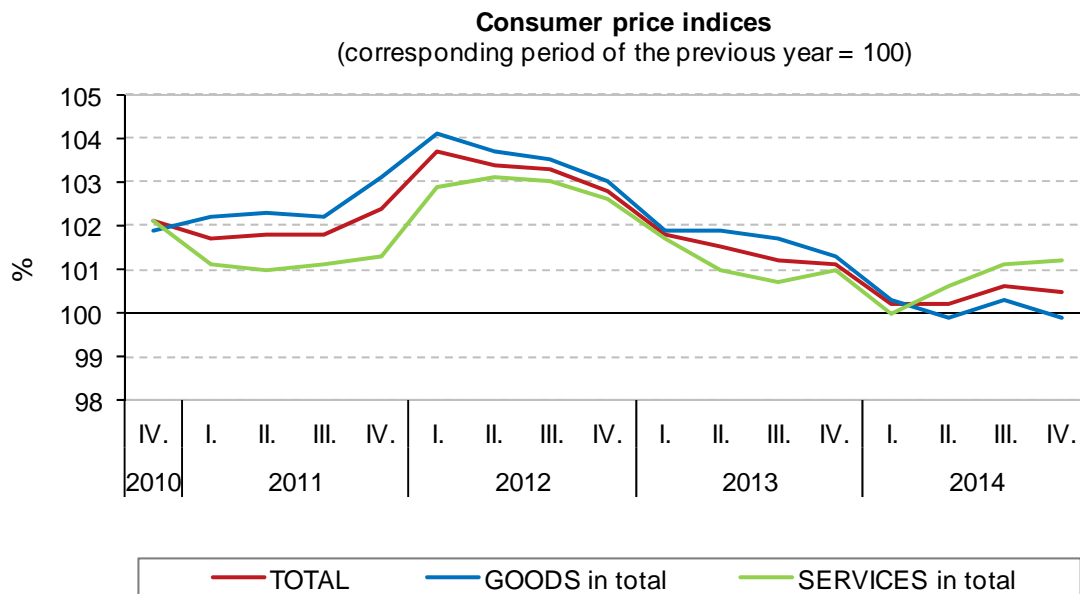
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### Harmonized index of consumer prices in the EU28

According to Eurostat data, the y-o-y increase in the average harmonized index of consumer prices (HICP) in the EU28 was 0.5% in October and 0.4% in November. In the Czech Republic (CR), the y-o-y change of the HICP was 0.7% and 0.6%, respectively in these months. According to preliminary data, the HICP change in the CR amounted to 0.1% in December. 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 often similar y-o-y compared with the average HICP in the EU28 member states. Nevertheless, since the beginning of the year 2014, the increase in the HICP in the CR recorded a more substantial drop than the rise in the HICP in the EU28. This trend stopped, however, in Q3 and partially also in Q4.

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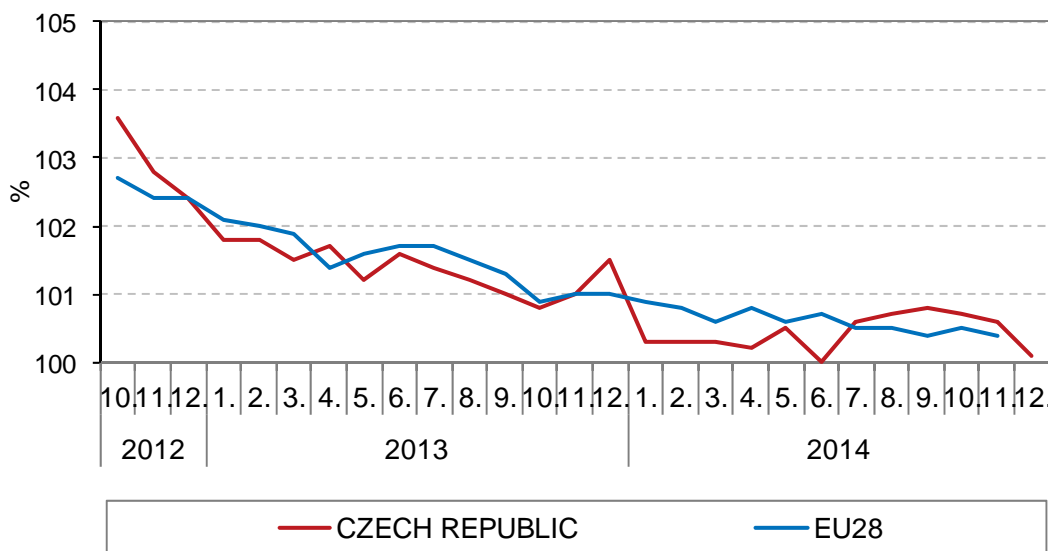
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**Harmonized indices of consumer prices**  
(corresponding period of the previous year = 100)



The **average inflation rate** in 2014 reached 0.4%, which was a value by 1.0 percentage point less than in 2013 and the least since 2003. Inflation rate in 2014 was primarily influenced by the month of January, in which consumer prices rose only by 0.1%, m-o-m, which was the lowest increase in January since 1993. This led to a slowdown in the y-o-y growth of prices in January 2014 to 0.2% from the value of 1.4% in December 2013. The slowdown came from a decrease in prices in 'housing, water, electricity, gas and other fuels' and 'health' due to a drop in prices of electricity and the abolition of the regulatory fee for a stay in hospital. A slowdown in the price growth occurred, in a different extent, in almost all divisions of the consumer basket. A low overall y-o-y price growth (in range 0.0% to 0.4%) was seen in the first half of the year 2014, a slight acceleration (0.5% to 0.7%) occurred since July 2014 with the exception of December.

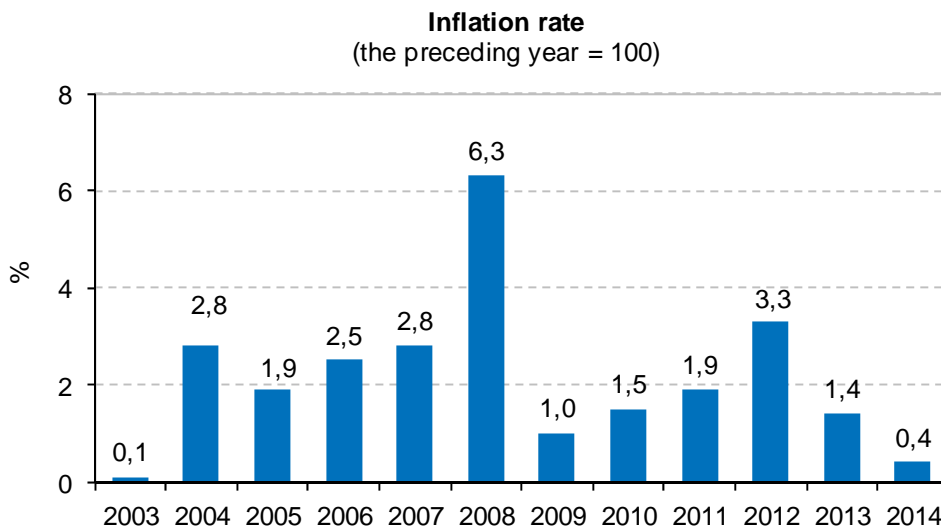
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The influence of respective divisions of the consumer basket on the price level increase in 2014 is illustrated in the breakdown of the total increase of the consumer price index.

### Breakdown of the y-o-y change of the consumer price index in 2014 in percentage points

DIVISION	
TOTAL	0.4
Food and non-alcoholic beverages	0.3
Alcoholic beverages and tobacco	0.3
Clothing and footwear	0.1
Housing, water, electricity, gas and other fuels	-0.4
Furnishings, household equipment and routine household maintenance	0.0
Health	0.0
Transport	0.1
Communication	-0.2
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' and 'alcoholic beverages and tobacco' had the highest effect on the price level growth in 2014. On the other hand, a reducing effect had prices in 'housing, water, electricity, gas and other fuels' and 'communication'.

Prices in 'food and non-alcoholic beverages' increased by 2.0% in 2014 (4.9% in 2013), of which prices of bread and cereals by 0.4%, meat by 2.5%, fish by 2.2%, fruit by 0.5%. Prices of milk rose by 8.6%, cheese by 7.3%, yoghurts by 12.6%, butter by 5.8%. Prices of vegetables were lower (-3.7%) due to a drop in potato prices (-23.3%). Prices of sugar and non-alcoholic beverages decreased (-6.9% and -1.0%, respectively).

In 'alcoholic beverages and tobacco', prices of spirits rose by 1.2%, wine by 3.4%, beer by 0.9% and prices of tobacco products by 3.6% (due to the increase in the excise tax since January 2014).

The reduction in the y-o-y price growth came from the price drop in 'housing, water, electricity, gas and other fuels' due to electricity prices and natural gas (-10.3% and -2.6%, respectively). Prices of net actual rentals rose by 1.0%, water supply by 3.4%, sewage collection by 3.2%, heat and hot water by 0.5%. The decline in natural gas prices turned to a growth since July due to the expiration of discounts from July 2013.

In 'health', the drop, caused by the abolition of the regulatory fee since January 2014, slowed down gradually during the year due mainly to a price rise in amounts paid by patients for drugs.

A downward effect on the overall price level came from 'communication' due to lower prices of telephone and telefax services (-5.1%). On the other hand, prices of postal services were higher by 11.1%.

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### Consumer price indices in Q4 2014 and in the year 2014

COICOP	Division	Constant weights 2012 (per mille)	2013	2014							
			Corresponding period of the previous year = 100								
			Q4	Q1	Q2	Q3	October	November	December	Q4	year
<b>0</b>	<b>Total</b>	<b>1000.0</b>	<b>101.1</b>	<b>100.2</b>	<b>100.2</b>	<b>100.6</b>	<b>100.7</b>	<b>100.6</b>	<b>100.1</b>	<b>100.5</b>	<b>100.4</b>
<b>01</b>	<b>Food and non-alcoholic beverages</b>	<b>170.8</b>	<b>104.1</b>	<b>103.9</b>	<b>101.5</b>	<b>101.4</b>	<b>102.5</b>	<b>101.5</b>	<b>99.5</b>	<b>101.2</b>	<b>102.0</b>
01.11	<i>Bread and cereals</i>	27.2	101.4	100.2	100.6	100.6	99.9	100.7	100.3	100.3	100.4
01.12	<i>Meat</i>	40.6	102.5	102.6	103.3	102.8	101.9	101.2	100.7	101.3	102.5
<b>02</b>	<b>Alcoholic beverages and tobacco</b>	<b>95.0</b>	<b>103.2</b>	<b>104.1</b>	<b>102.9</b>	<b>102.7</b>	<b>101.5</b>	<b>101.3</b>	<b>101.4</b>	<b>101.4</b>	<b>102.8</b>
<b>03</b>	<b>Clothing and footwear</b>	<b>32.9</b>	<b>101.3</b>	<b>102.3</b>	<b>103.1</b>	<b>103.2</b>	<b>103.2</b>	<b>103.6</b>	<b>104.0</b>	<b>103.6</b>	<b>103.0</b>
<b>04</b>	<b>Housing, water, electricity, gas and other fuels</b>	<b>265.6</b>	<b>101.2</b>	<b>97.6</b>	<b>98.3</b>	<b>99.3</b>	<b>99.4</b>	<b>99.3</b>	<b>99.4</b>	<b>99.4</b>	<b>98.6</b>
04.111	<i>Net rentals paid in rented dwellings</i>	36.2	102.1	101.1	100.9	101.0	101.0	101.0	101.3	101.1	101.0
04.511	<i>Electricity</i>	47.4	103.1	89.5	89.5	89.6	89.8	89.8	90.4	90.0	89.7
04.521	<i>Natural gas</i>	29.3	93.1	90.9	94.8	102.4	102.4	102.4	102.4	102.4	97.4
<b>05</b>	<b>Furnishings, household equipment and routine household maintenance</b>	<b>61.1</b>	<b>98.4</b>	<b>98.7</b>	<b>99.3</b>	<b>99.5</b>	<b>99.5</b>	<b>99.8</b>	<b>100.4</b>	<b>99.9</b>	<b>99.3</b>
<b>06</b>	<b>Health</b>	<b>23.8</b>	<b>100.9</b>	<b>96.7</b>	<b>98.0</b>	<b>98.8</b>	<b>99.5</b>	<b>99.6</b>	<b>99.6</b>	<b>99.5</b>	<b>98.2</b>
<b>07</b>	<b>Transport</b>	<b>101.3</b>	<b>99.8</b>	<b>100.1</b>	<b>100.3</b>	<b>100.5</b>	<b>101.0</b>	<b>100.4</b>	<b>98.5</b>	<b>100.0</b>	<b>100.2</b>
07.221	<i>Fuels for personal transport equipment</i>	36.1	99.1	100.3	101.0	100.5	101.7	100.6	94.0	98.8	100.1
<b>08</b>	<b>Communication</b>	<b>30.6</b>	<b>90.2</b>	<b>90.4</b>	<b>94.8</b>	<b>96.6</b>	<b>97.2</b>	<b>97.2</b>	<b>97.7</b>	<b>97.4</b>	<b>94.7</b>
<b>09</b>	<b>Recreation and culture</b>	<b>87.6</b>	<b>101.0</b>	<b>100.5</b>	<b>100.6</b>	<b>100.7</b>	<b>99.7</b>	<b>100.0</b>	<b>100.1</b>	<b>99.9</b>	<b>100.4</b>
09.60	<i>Package holidays</i>	19.1	105.2	103.8	104.2	104.0	103.4	103.5	103.7	103.5	103.9
<b>10</b>	<b>Education</b>	<b>7.4</b>	<b>101.1</b>	<b>101.3</b>	<b>101.4</b>	<b>101.4</b>	<b>101.3</b>	<b>101.3</b>	<b>101.3</b>	<b>101.3</b>	<b>101.3</b>
<b>11</b>	<b>Restaurants and hotels</b>	<b>55.6</b>	<b>101.8</b>	<b>101.6</b>	<b>101.7</b>	<b>101.7</b>	<b>101.6</b>	<b>101.8</b>	<b>101.8</b>	<b>101.7</b>	<b>101.7</b>
<b>12</b>	<b>Miscellaneous goods and services</b>	<b>68.3</b>	<b>100.9</b>	<b>100.7</b>	<b>100.6</b>	<b>101.8</b>	<b>102.2</b>	<b>102.3</b>	<b>102.1</b>	<b>102.2</b>	<b>101.3</b>

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