

Consumer price indices in Q4 2009

Consumer prices fell in **Q4 2009 compared with Q3 2009** by 0.3% while market prices dropped by 0.3% and regulated prices^{*)} by 0.2%.

The market price development was affected especially by a price drop in 'transport', 'recreation and culture' and 'communications'. In 'transport' prices of fuel fell by 1.3%, motor vehicles by 1.9%, bicycles by 3.6%. In 'recreation and culture' a price drop (-13.9%) was reported for package holiday due to the end of high season. Lower were also prices of mobile phones by 4.1% and prices of telecommunication and telefax services due to price reductions offered by mobile operators. Price decreases were registered also in 'food beverages and tobacco', however, much moderate compared to Q3. This price drop came mainly from falling prices of vegetables incl. potatoes, meat and sugar by 1.3%, 0.7% and 4.7%, respectively.

Consumer price indices previous quarter = 100

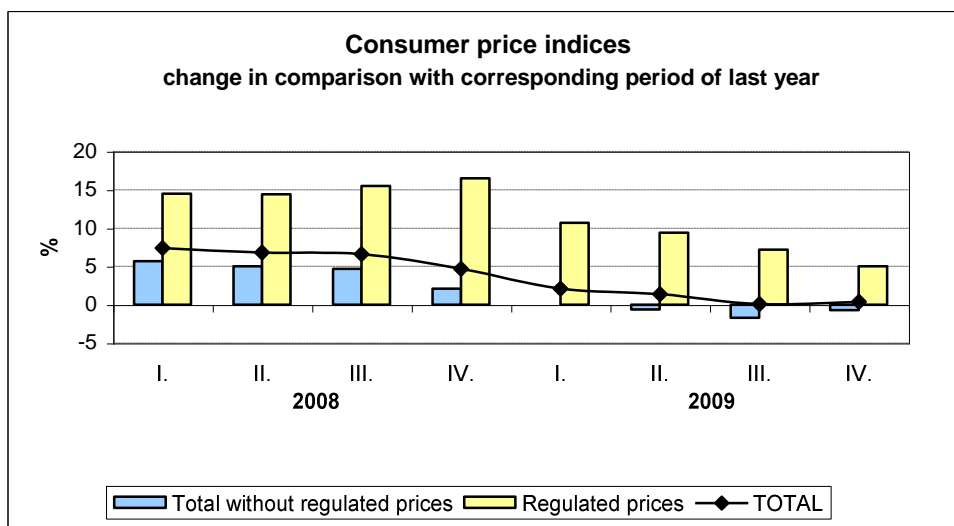
	2008	2009			
DIVISION	Q4	Q1	Q2	Q3	Q4
TOTAL	99,4	101,3	100,1	99,4	99,7
Food and non-alcoholic beverages	98,5	101,1	98,2	96,0	99,8
Alcoholic beverages and tobacco	103,5	101,1	100,8	100,0	100,5
Clothing and footwear	102,4	96,5	100,7	96,8	103,2
Housing, water, energy, fuel	101,5	104,9	100,1	99,8	99,8
Furnishings, household equipment, repairs	99,6	100,0	100,0	99,4	99,8
Health	99,9	98,5	96,4	100,4	100,4
Transport	92,3	97,1	103,3	101,4	99,2
Communications	97,9	98,9	99,6	97,9	99,3
Recreation and culture	96,9	100,8	99,5	101,9	96,7
Education	102,0	100,2	100,0	100,4	100,9
Restaurants and hotels	100,5	100,5	100,5	100,3	100,2
Miscellaneous goods and services Ostatní zboží a služby	100,0	101,2	100,3	100,5	99,9

Following a significant slowdown of the y-o-y growth of consumer prices in Q3, a 0.2% price drop was registered in October. In the following two months prices began to grow progressively. Consumer prices increased in **Q4 2009 compared to Q4 2008** by 0.4%, i.e. by 0.3 p.p. more compared to Q3 2009. This development came from deceleration of market price drop to -0.7% (from -1.6% in Q3). By contrast, the regulated price growth slowed down to 5.1% (from 7.2% in Q3).

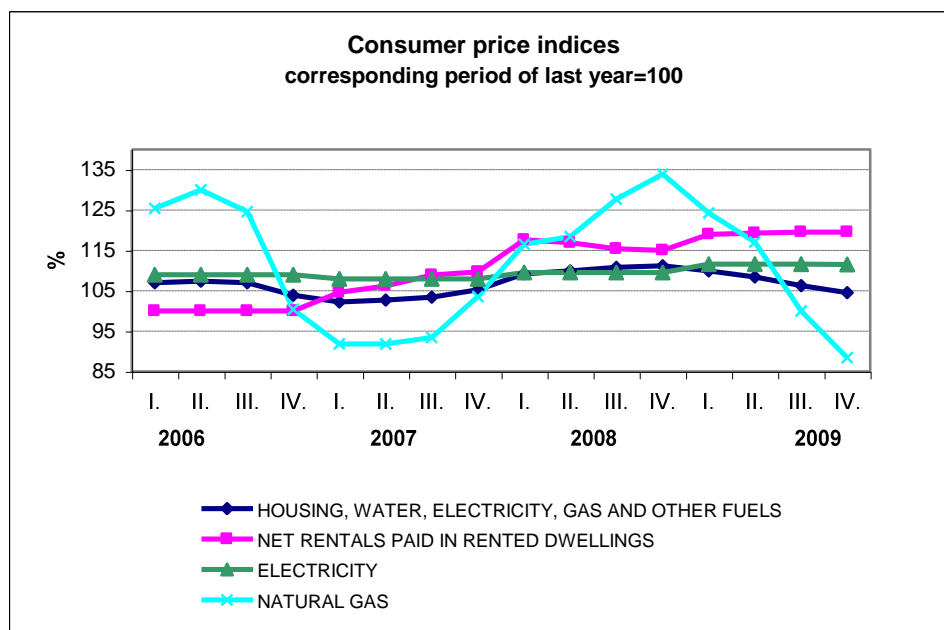
The price drop slowdown showed mainly in 'food and non-alcoholic beverages' and in 'clothing and footwear'. In 'transport' the price decrease in Q3 turned into a growth. A slowdown of price growth was reported mainly in 'housing'.

The average m-o-m growth rate in Q4 2009 was 0.1% while in Q4 2008 it was 0.3%.

^{*)} goods and services whose prices are partly or entirely regulated

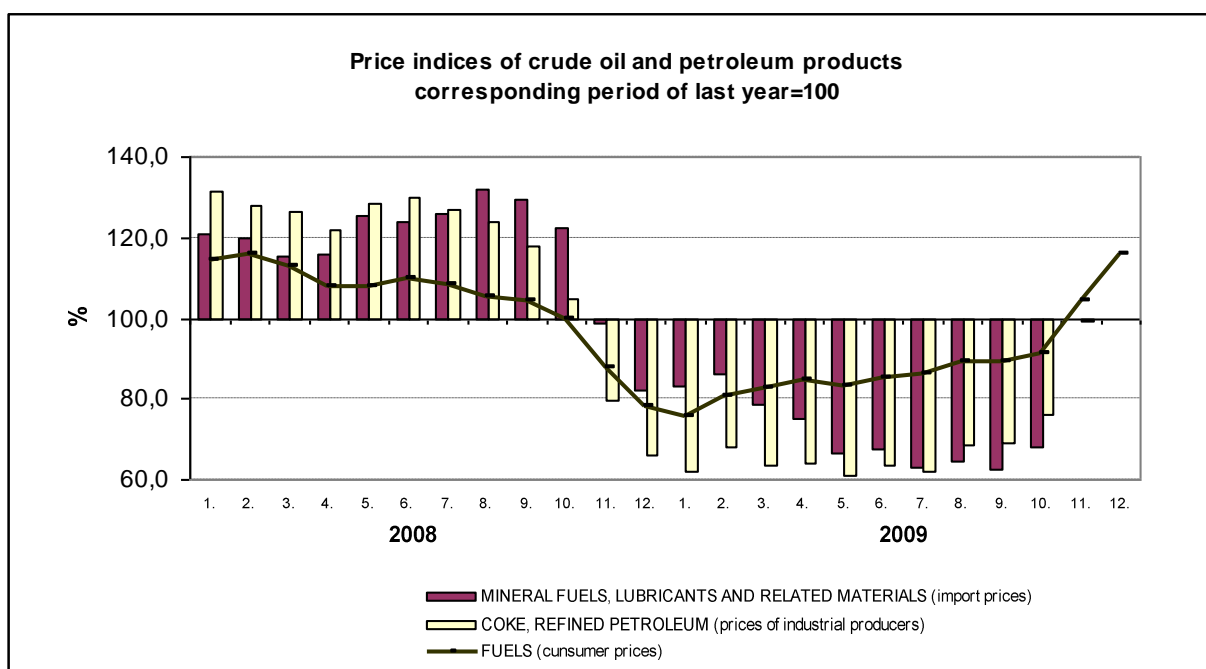


In Q4 in '**housing, water, energy, fuel**' another, already the third price drop in natural gas was registered this year, which showed in the y-o-y decrease of natural gas prices in Q4 by 11.6% (in Q3 a zero growth was reported). Price increases of electricity by 11.5% and net actual rentals by 19.5% (of which in dwellings with regulated rentals by 27.5% and in dwellings with market rentals by 5.1%) were in Q4 the same or almost the same as in Q1-Q3 2009. It is due to the fact that prices of these items are raised mostly once per year and from the year start. Prices of electricity show an even price growth on a long-term basis by approximately 10% while prices of natural gas like prices of fuel are subject to wobbles caused by external factors.

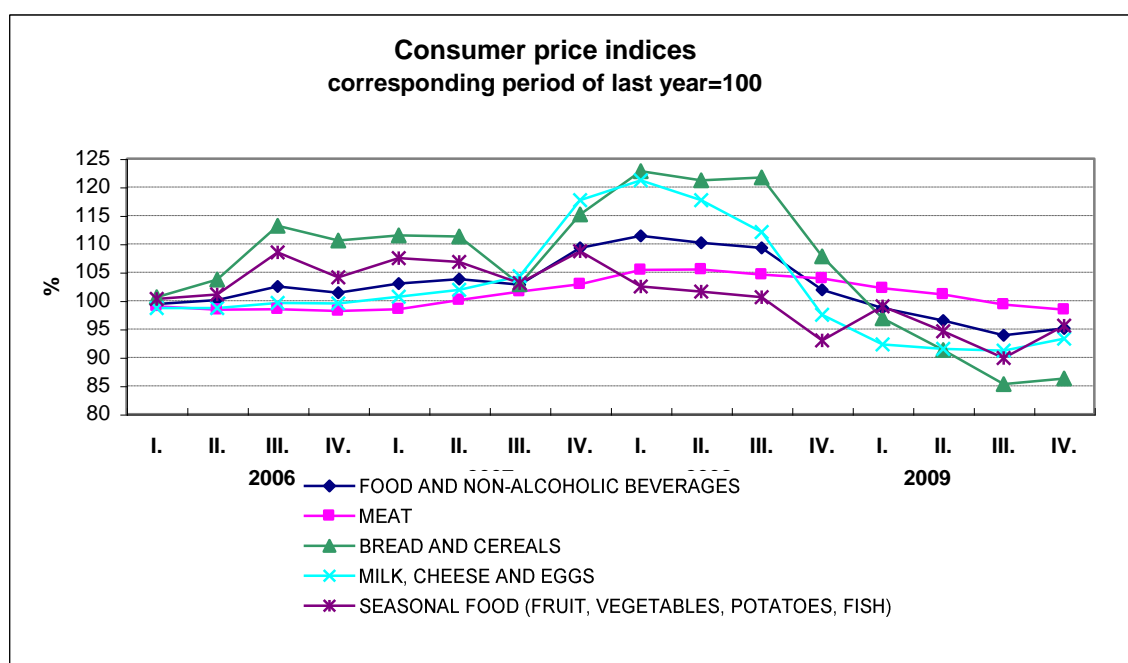


In '**alcoholic beverages and tobacco**' a slowdown in the y-o-y growth of cigarette prices to 3.6% (from 8.9% in Q3) was recorded due to a significant price increase of cigarettes coming from higher excise tax introduced in January 2008 which raised the cigarette prices not earlier than in the latter half of 2008 (average growth rate in Q4 2008 was 0.8%, in Q4 2009 the growth rate was 0.2%).

In **transport**, the y-o-y slowdown of price development lasting from Q4 2008 ended due to fuel prices, which in Q3 were 1.8% down, y-o-y, while in Q4 they increased by 2.9% (of which by 15.7% in December).



Total price level decrease came most from prices in **'food and non-alcoholic beverages'** although their drop in Q4 slowed down. Prices of bread and cereals dropped by 13.7%, oils and fats by 6.5%, prices in the product group including milk, cheese, eggs were 6.7% down and prices of vegetables fell by 8.7%.

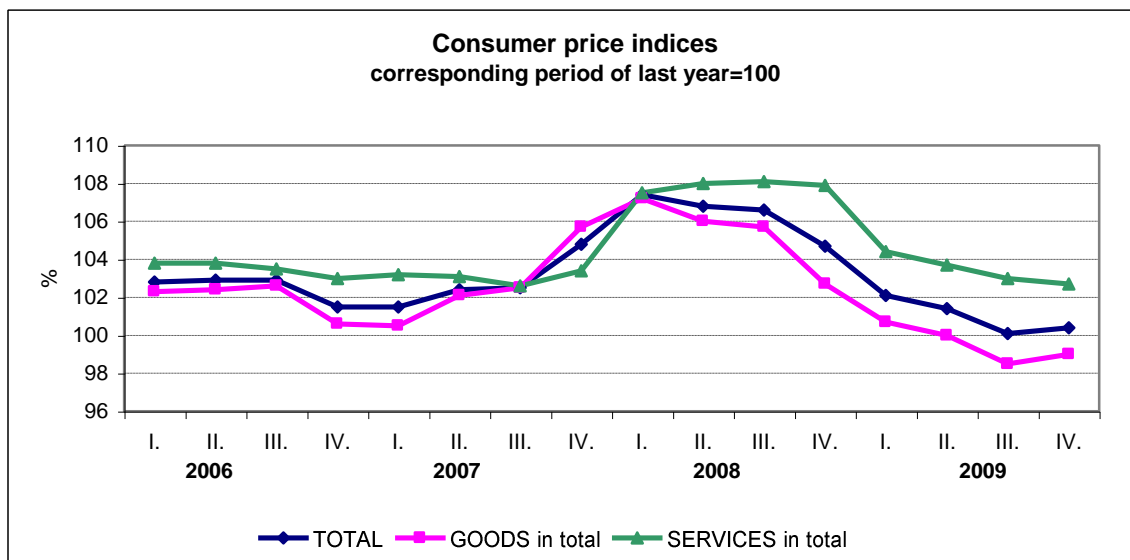


This development was affected also by a marked drop of agricultural producer prices at the end of 2008, which in 2009 continued.

In **'communications'** the process of price decrease of mobile phones and mobile operators' services continued.

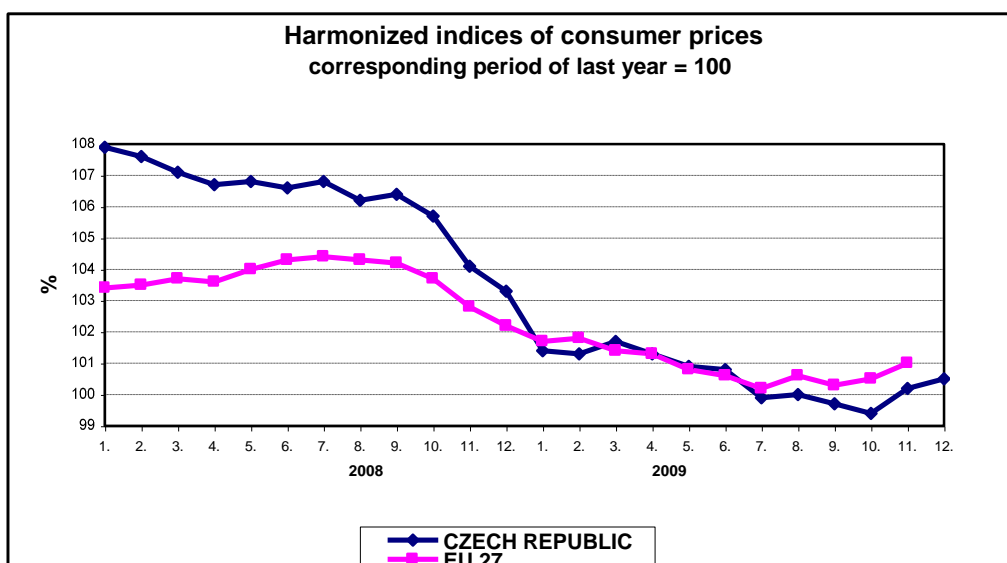
In '**recreation and culture**' prices of package holidays dropped by 2.9% and prices of 'electronic equipment for the reception, recording and reproduction of sound and pictures, photographic and cinematographic equipment and personal computers' fell by 8.9%.

Prices of **goods in total** dropped by 1.0% (from 1.5% in Q3) and the price growth of services slowed down to 2.7% (from 3.0% in Q3 2009).

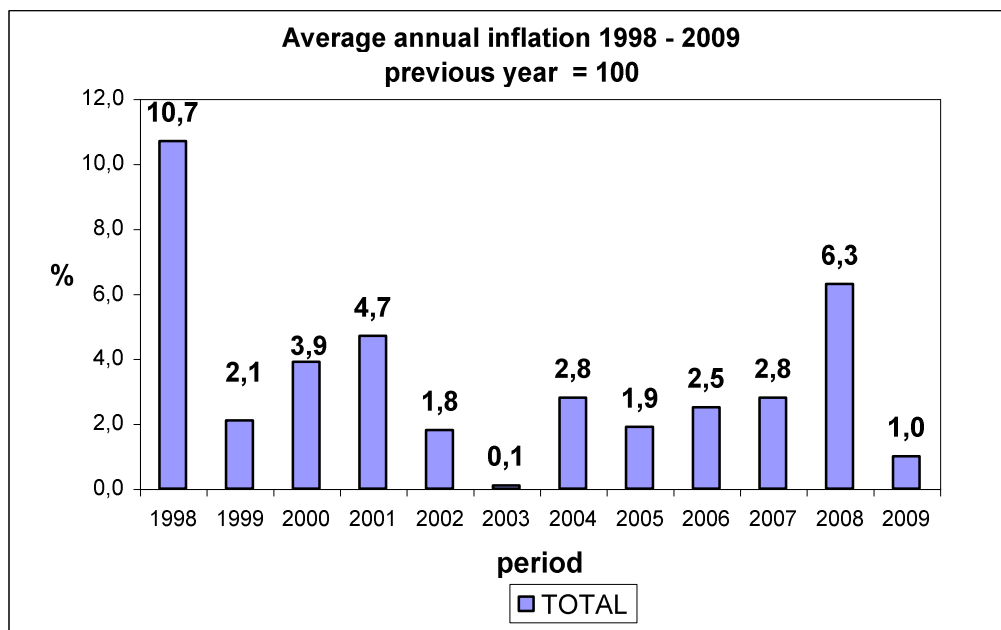


Harmonized index of consumer prices in the EU27

In Q4 a gradual increase of price growth was registered in the whole EU although for many countries the annual price drop survived. The year-on-year increase in the average **harmonized index of consumer prices (HICP)** in the EU27 was 0.5% in October, and, according to preliminary data, it speeded up to 1.0% in November. In October and November the biggest price increases were registered in Hungary (+4.2% and +5.2%). In contrast, the biggest drops were registered in Ireland – in both months by 2.8%. The price decrease by more than 1% was reported for Estonia and Latvia. In the Czech Republic the y-o-y change of HICP was –0.6% in October, in November and December it showed positive values again (+0.2% and +0.5%).



The **average inflation rate in 2009** reached 1.0%, which was much less than in 2008 when it stood at 6.3%. It was the second lowest average annual inflation rate since 1989 (lower inflation rate was only in 2003 when it stood at 0.1%). The inflation rate showed markedly falling trend since January which was due to the fact that the price growth in 2009 was slower than in 2008 and had to cope with high price base in 2008. This resulted in a slowdown of annual price growth or even to a price drop in majority of sections of the consumer basket. The deceleration of price growth showed mainly in 'alcoholic beverages and tobacco', 'housing', 'hotels and restaurants'. In the y-o-y comparison prices dropped mainly in food and 'non-alcoholic beverages', 'transport', 'post and telecommunications' and traditionally also in 'clothing and footwear'.



The influence of individual sections of consumer basket to the price level increase by 1.00% in 2009 is obvious from the breakdown of the consumer price index increase.

Breakdown of the annual consumer price index increase in 2009
in percentage points

DIVISION	
TOTAL	1.0
Food and non-alcoholic beverages	-0.7
Alcoholic beverages and tobacco	0.6
Clothing and footwear	-0.1
Housing, water, energy, fuels	1.9
Furnishings, household equipment, repairs	0.0
Health	-0.1
Transport	-0.6
Communications	-0.1
Recreation and culture	-0.1
Education	0.0
Restaurants and hotels	0.1
Other goods and services	0.1

The price level growth came mainly from prices in **housing** which was especially due to the following stage of the net rentals deregulation. Net rentals increased by 19.2% of which in dwellings with regulated rentals by 27.1% and in dwellings with market rentals by 5.2%. Prices of electricity were by 11.6% higher and prices of heat and hot water were 7.1% up. Natural gas prices were reduced over the year which resulted into a turn of the y-o-y natural gas price growth (+24.3%) in Q1 to a 11.6% price decrease in Q4.

An upward trend of price level came also from prices in '**alcoholic beverages and tobacco**' which growth was due to the increased excise tax on cigarettes in 2008. In 2009 the influence of this tax gradually weakened and the deceleration of the annual price growth in this division was reported.

The price level decrease came mainly from price development in '**food and non-alcoholic beverages**' showing after a significant increase in 2008 the y-o-y drop in all months of 2009. Prices of bread and cereals were 10.1% down compared to 2008, prices in product group milk, cheese, eggs dropped by 7.9%, oils and fats by 5.6% and fruit by 8.5%.

An important downward effect came also from prices in '**transport**' owing to the drop of fuel prices by 11.8% and motor vehicles prices by 9.2%.

Consumer price indices 4 Q 2009

COICOP	Division	Constant weights 2005	2009							
			Corresponding period of last year = 100							
			1 Q	2 Q	3 Q	October	November	December	4 Q	year
0	Total	1000,0	102,1	101,4	100,1	99,8	100,5	101,0	100,4	101,0
01	Food and non-alcoholic beverages	162,6	98,7	96,5	93,9	93,8	95,1	96,5	95,1	96,1
01.11	<i>Bread and cereals</i>	24,9	96,9	91,3	85,3	85,7	86,6	86,6	86,3	89,9
01.12	<i>Meat</i>	39,6	102,2	101,1	99,3	98,7	98,1	98,3	98,4	100,2
02	Alcoholic beverages, tobacco and narcotics	81,7	109,1	109,3	105,5	103,0	102,5	102,0	102,5	106,5
03	Clothing and footwear	52,4	98,8	97,6	96,3	96,7	97,3	97,2	97,1	97,5
04	Housing, water, electricity, gas and other fuels	248,3	109,9	108,4	106,3	104,6	104,5	104,4	104,5	107,2
04.111	<i>Net rentals paid in rented dwellings</i>	27,5	119,0	119,3	119,5	119,6	119,4	119,4	119,5	119,3
04.511	<i>Electricity</i>	35,0	111,6	111,6	111,6	111,6	111,5	111,4	111,5	111,6
04.521	<i>Natural gas</i>	22,8	124,3	117,1	100,0	88,4	88,4	88,4	88,4	106,2
05	Furnishings, household equipment and routine maintenance of the house	58,1	100,0	99,5	99,0	99,2	99,3	99,1	99,2	99,4
06	Health	17,9	99,6	96,2	95,4	95,6	95,7	96,0	95,8	96,8
07	Transport	114,1	90,3	92,2	93,9	96,7	101,6	104,5	100,9	94,2
07.221	<i>Automotive fuels</i>	40,4	79,5	84,3	88,2	91,3	104,2	115,7	102,9	88,2
08	Communications	38,7	95,8	95,6	94,5	95,5	95,9	96,0	95,8	95,4
09	Recreation and culture	98,6	99,1	99,4	99,0	98,6	98,9	99,1	98,9	99,1
09.60	<i>Package holidays</i>	21,9	100,7	100,7	98,3	97,3	97,1	96,8	97,1	99,2
10	Education	6,2	103,4	103,3	102,5	101,5	101,5	101,5	101,5	102,7
11	Restaurants and hotels	58,4	103,3	102,5	101,9	101,5	101,5	101,5	101,5	102,3
12	Miscellaneous goods and services	63,0	101,9	101,9	102,1	101,9	101,9	101,8	101,9	101,9