

ANALYSIS

9 October 2014

Consumer price indices in Q3 2014

The total consumer price level increased by 0.1% in Q3 2014 compared with Q2 2014. Consumer prices rose by 0.6% in Q3 2014, year-on-year, which was 0.4 percentage point up on Q2.

The **quarter-on-quarter** (q-o-q) price level increase by 0.1% was a result of up and down price changes of individual consumer basket divisions, which fluctuated in the range of -1.9% to +2.2%. The biggest growth of prices was in 'recreation and culture' due to the seasonal increase in prices of package holidays by 12.1%. The price rise in individual items in the other divisions of the consumer basket was less significant. In 'housing, water, electricity, gas and other fuels', prices of natural gas went up by 2.7% due to the termination of discounts from last July. In 'health', amounts paid by patients for pharmaceutical products were 1.2% up. In 'transport', fuel prices were higher by 1.9%. The growth of prices in 'miscellaneous goods and services' was influenced by higher prices of financial services by 2.6%. Especially prices of food and non-alcoholic beverages were lower in Q3 2014 compared with Q2 2014. This drop was due mainly to lower prices of fruit and vegetables (-4.3% and -9.0%, respectively) and to a moderate decrease in prices of much other food. This applied especially to bread and cereals, milk, cheese, oils and fats, sugar, non-alcoholic beverages. On the other hand, the increase occurred in prices of citrus fruit, chocolate and chocolate-based products and cocoa. In 'clothing and footwear', prices of clothing and footwear went down (-1.4% and -4.1%, respectively). 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		
	Q3	Q4	Q1	Q2	Q3
TOTAL	99.7	99.9	100.4	100.2	100.1
Food and non-alcoholic beverages	98.9	100.1	103.6	99.0	98.7
Alcoholic beverages and tobacco	100.5	101.1	101.6	99.5	100.5
Clothing and footwear	98.0	104.7	95.7	105.0	98.1
Housing, water, electricity, gas and other fuels	99.4	100.0	98.6	100.2	100.4
Furnishings, household equipment and routine household maintenance	99.2	99.4	100.4	100.3	99.4
Health	100.1	99.3	96.9	101.8	100.9
Transport	100.5	99.2	100.6	100.1	100.8
Communication	96.9	98.8	99.6	99.4	98.8
Recreation and culture	102.1	98.0	100.8	99.7	102.2
Education	100.3	100.7	100.2	100.2	100.4
Restaurants and hotels	100.5	100.1	100.5	100.6	100.5
Miscellaneous goods and services	99.4	100.0	100.8	100.4	100.7

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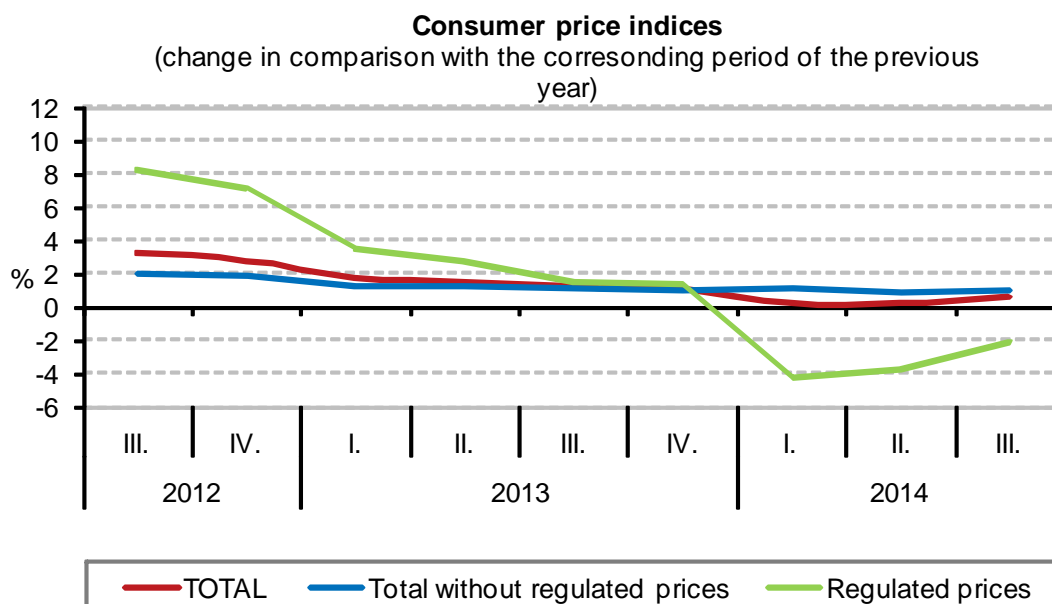
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Consumer prices rose by 0.6%, **year-on-year** (y-o-y), in Q3 2014, i.e. 0.4 percentage point up on Q2 2014. This acceleration in the y-o-y growth of prices was due to the increase in prices in 'miscellaneous goods and services' and especially a slowdown in the price drop in 'housing, water, electricity, gas and other fuels' and 'communication'. Other divisions of the consumer basket showed a similar price movement in Q2 and Q3.

The growth of market prices accelerated slightly to 1.1% in Q3 2014 from 0.9% in Q2 and the decrease in regulated prices¹⁾ decelerated quite significantly to -2.1% from -3.7% in Q2 2014.

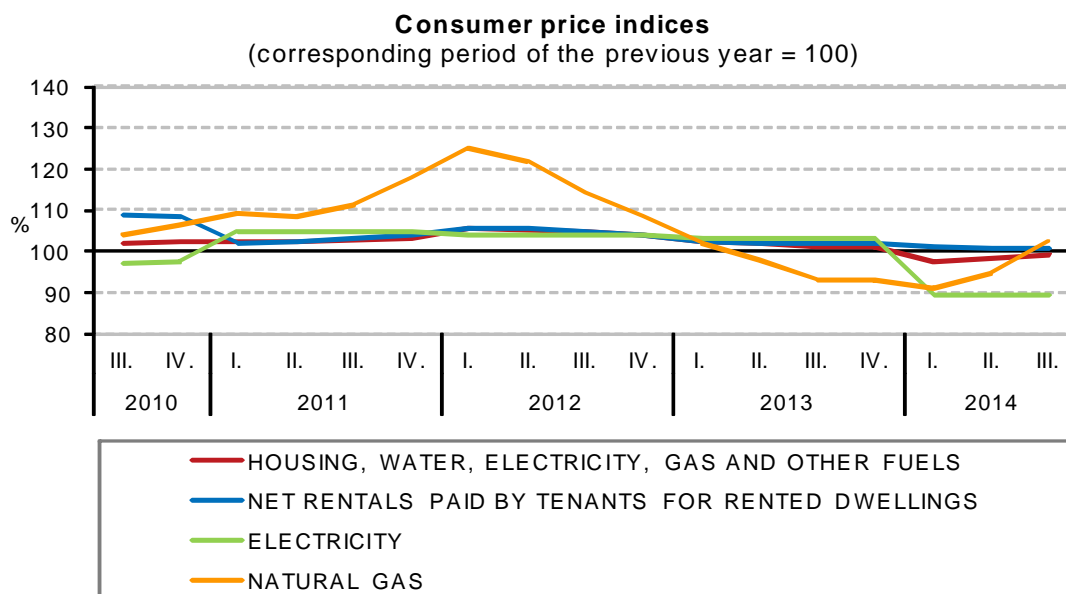


Decrease of regulated prices was caused primarily by the drop in prices in '**housing, water, electricity, gas and other fuels**' and '**health**', which occurred due to a decrease in energy prices and the abolition of the regulatory fee for a stay in hospital since January 2014. The drop in prices of both divisions went down in Q2 and Q3. 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. In 'health', amounts paid by patients for pharmaceutical products rose.

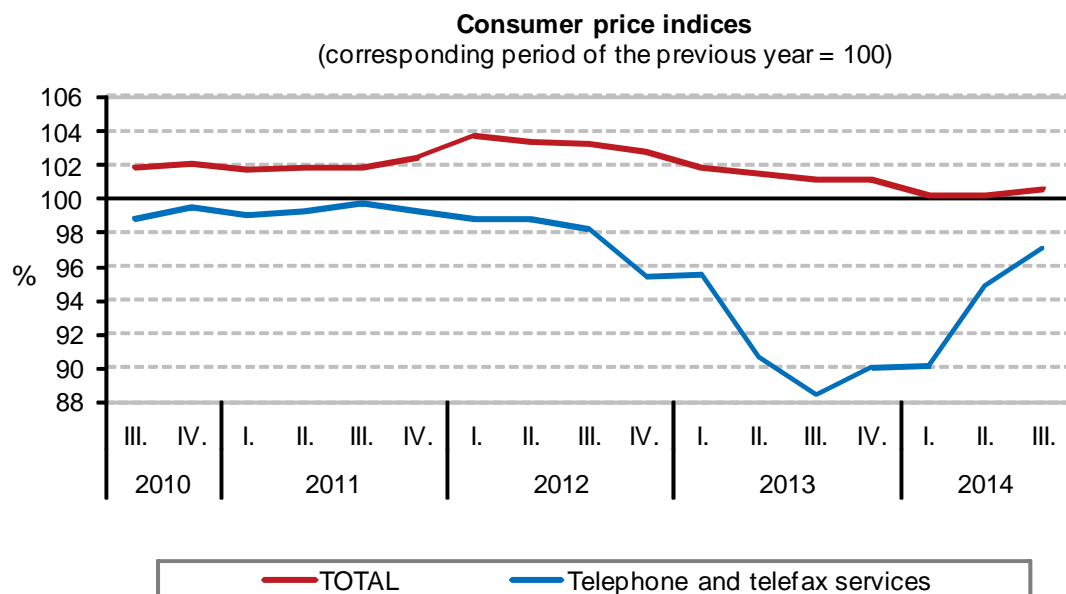
Decreasing influence of prices of items contained in 'housing, water, electricity, gas and other fuels' is illustrated by the overall consumer price index without housing, water, energy, fuels. Consumer prices went up by 0.6% in total in Q3 2014 (after exclusion of items of housing it was by 1.0%).

¹⁾ Prices that are fully or partially regulated

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In **'communication'**, the y-o-y decline in prices of telephone and telefax services continued; it slowed down both in Q2 and Q3.



In **'food and non-alcoholic beverages'**, the y-o-y price growth remained roughly at the same level as in Q2. The rise in prices rather slowed down for many commodities (meat, milk, cheese, yoghurts, oils and fats, butter). Prices of fruit went down with the exception of citrus fruit. The fall in prices of vegetables was caused primarily by a decline in prices of potatoes (-38.9%). This

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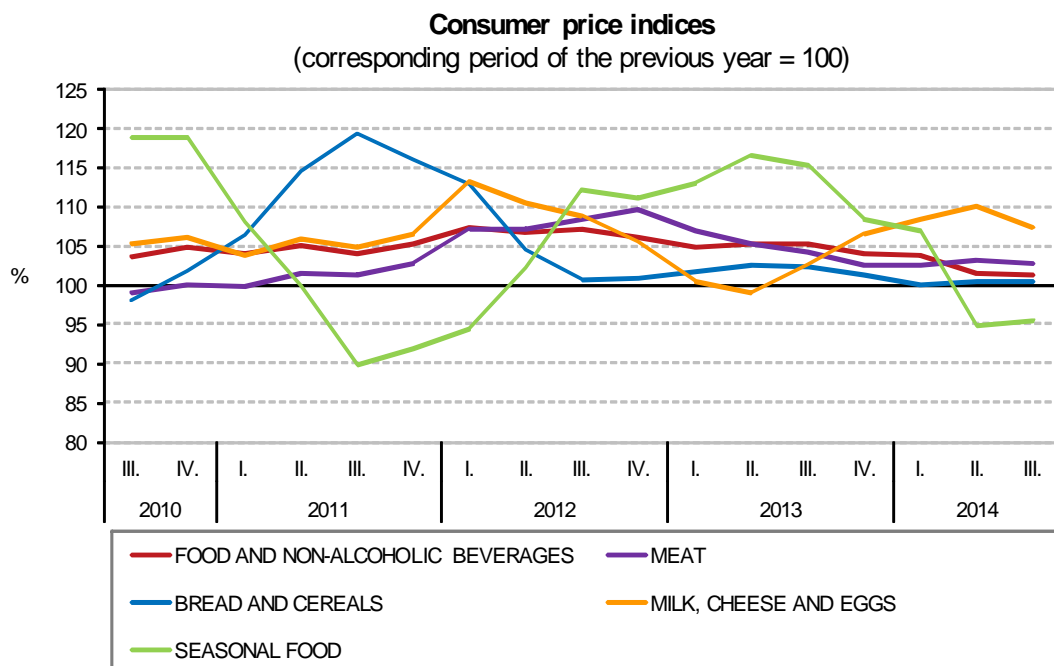
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drop decelerated especially due to prices of vegetables cultivated for their fruit, which turned from a decrease (-2.6%) in Q2 into a rise by 8.9% in Q3.



In '**alcoholic beverages and tobacco**', the price growth of tobacco products slowed down to 2.9% from 4.8% in Q2. On the other hand, the rise in prices of alcoholic beverages accelerated to 2.6% from 0.9% in Q2.

In '**transport**', the y-o-y price growth of fuel went down in Q3 due to their slower increase in Q3 2014 compared with Q3 2013 (0.5% rise in Q3, 1.0% in Q2). 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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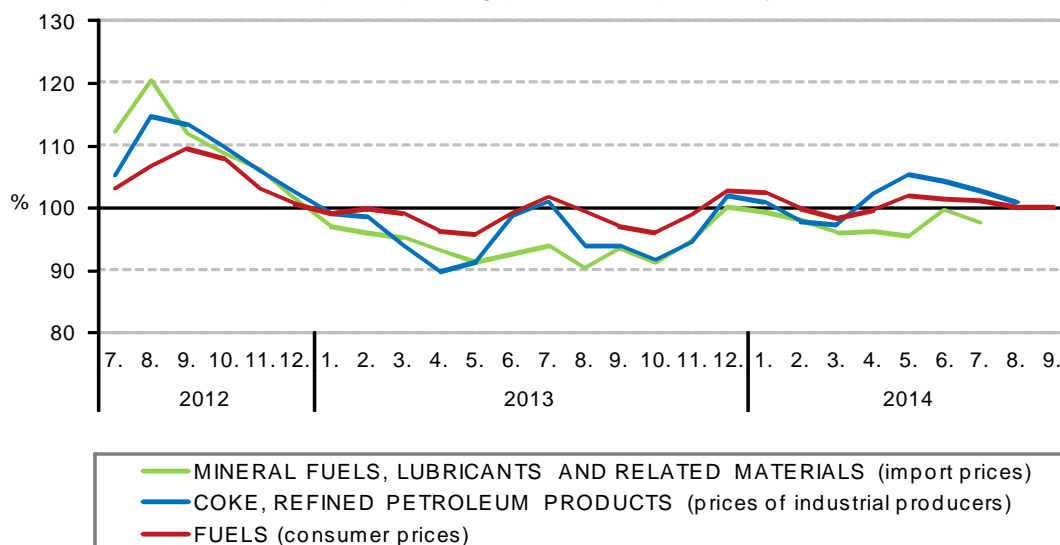
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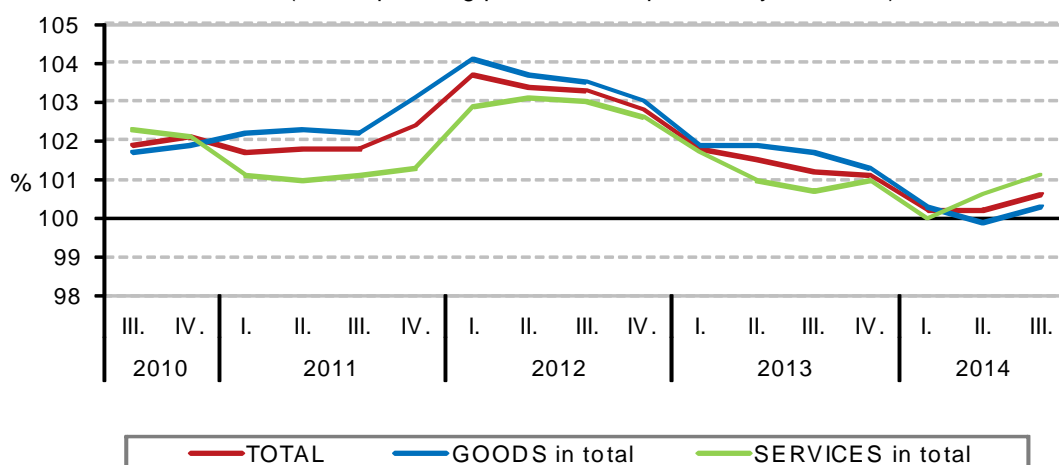
Price indices of petroleum products
(corresponding period of the previous year = 100)



In '**recreation and culture**', prices of package holidays showed in Q3 2014 and in Q2 2014 practically the same y-o-y price growth (4.0% and 4.2%, respectively) despite their strong q-o-q increase (which was similar as in the previous year). Prices of holidays increase markedly every year, month-on-month, in July and August (although with different variances) due to the summer season, and afterwards they return in September approximately to their original level from June. 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 Q3 2014.

Prices of **goods in total** turned from a decline (-0.1%) in Q2 to 0.3% growth in Q3 2014; prices of **services** accelerated to 1.1% in Q3 from the 0.6% growth in Q2 2014.

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



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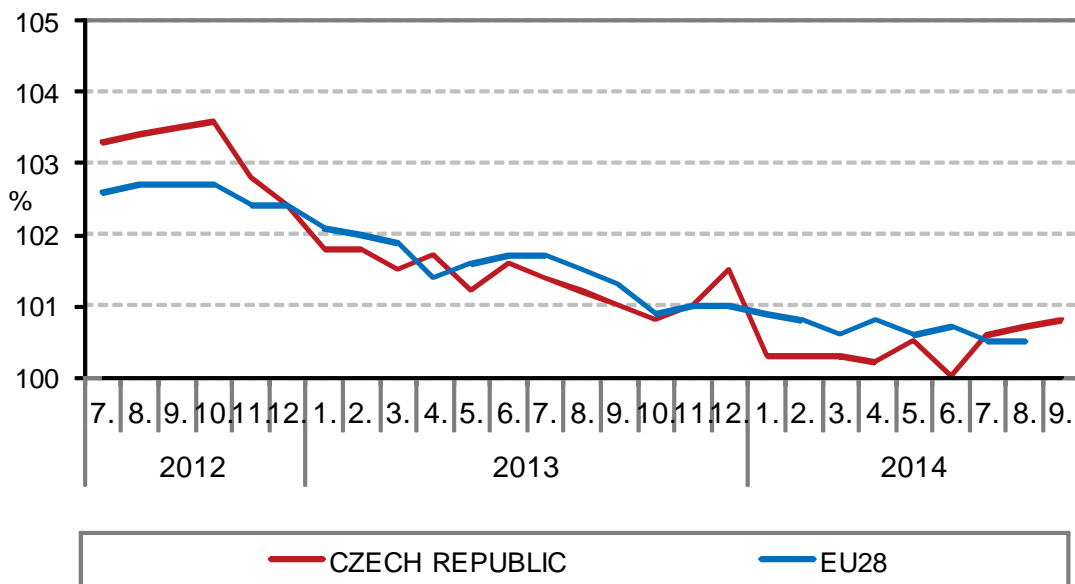
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Harmonized index of consumer prices in the EU28

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 both **July** and **August**. In the Czech Republic (CR), the y-o-y change of the HICP was 0.6% and 0.7%, respectively. According to preliminary data, the HICP growth in the CR amounted to 0.8% in **September**. 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 converged in 2013. 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.

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



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COICOP	Division	Constant weights 2012 (per mille)	2013		2014						
			Corresponding period of the previous year = 100								
			Q3	Q4	Q1	Q2	July	August	September	Q3	
0	Total	1000.0	101.2	101.1	100.2	100.2	100.5	100.6	100.7	100.6	
01	Food and non-alcoholic beverages	170.8	105.3	104.1	103.9	101.5	100.8	101.3	102.2	101.4	
01.11	<i>Bread and cereals</i>	27.2	102.4	101.4	100.2	100.6	100.8	101.2	99.7	100.6	
01.12	<i>Meat</i>	40.6	104.3	102.5	102.6	103.3	103.9	102.9	101.8	102.8	
02	Alcoholic beverages and tobacco	95.0	103.4	103.2	104.1	102.9	103.3	102.5	102.5	102.7	
03	Clothing and footwear	32.9	100.3	101.3	102.3	103.1	103.1	103.5	102.9	103.2	
04	Housing, water, electricity, gas and other fuels	265.6	101.2	101.2	97.6	98.3	99.2	99.2	99.3	99.3	
04.111	<i>Net rentals paid in rented dwellings</i>	36.2	102.2	102.1	101.1	100.9	101.1	101.1	100.9	101.0	
04.511	<i>Electricity</i>	47.4	103.3	103.1	89.5	89.5	89.5	89.6	89.8	89.6	
04.521	<i>Natural gas</i>	29.3	93.1	93.1	90.9	94.8	102.4	102.4	102.4	102.4	
05	Furnishings, household equipment and routine household maintenance	61.1	99.2	98.4	98.7	99.3	99.5	99.5	99.6	99.5	
06	Health	23.8	101.8	100.9	96.7	98.0	98.5	98.7	99.0	98.8	
07	Transport	101.3	99.6	99.8	100.1	100.3	100.6	100.6	100.4	100.5	
07.221	<i>Fuels for personal transport equipment</i>	36.1	99.3	99.1	100.3	101.0	101.3	100.2	100.2	100.5	
08	Communication	30.6	88.6	90.2	90.4	94.8	96.8	95.9	97.1	96.6	
09	Recreation and culture	87.6	100.4	101.0	100.5	100.6	100.7	101.0	100.3	100.7	
09.60	<i>Package holidays</i>	19.1	104.0	105.2	103.8	104.2	103.7	104.6	103.8	104.0	
10	Education	7.4	101.4	101.1	101.3	101.4	101.5	101.5	101.3	101.4	
11	Restaurants and hotels	55.6	102.0	101.8	101.6	101.7	101.7	101.8	101.7	101.7	
12	Miscellaneous goods and services	68.3	101.5	100.9	100.7	100.6	101.3	101.6	102.6	101.8	

Elaborated by Consumer Prices Statistics Unit of the CZSO

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