

## Year-on-year inflation slowed down in January Consumer price indices – January 2010

The total consumer price level in January increased compared with December 2009 by 1.2 %. An upward effect on the consumer price level, month-on-month, came from a rise in indirect taxes and price increase mainly in 'housing, water, electricity, gas and other fuels' and 'food and non-alcoholic beverages'. In January the growth of consumer prices slowed down to 0.7 %, y-o-y, (1.0 % in December).

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The **month-on-month** consumer price increase (1.2 %) was influenced by a rise in basic and reduced VAT rate from 19 % to 20 % and from 9 % to 10 %, respectively, and by an increase in excise tax on fuel and alcoholic beverages. The impact of this change on an overall increase of the m-o-m consumer price index in January amounted to a 1 percentage point growth, according to the CZSO approximate calculation.

In 'housing, water, electricity, gas and other fuels', the net actual rentals went up by 7.8 %, of which for dwellings with regulated rentals by 14.1 %, while for dwellings with market rentals by 0.2 %. Prices of heat and hot water were higher by 2.3 %, water supply by 3.8 % and sewerage collection by 4.4 %. The price rise in 'food and non-alcoholic beverages' was due mainly to a seasonal increase in prices of vegetables incl. potatoes by 17.0 % and a moderate price rise in most kinds of food. A price rise was registered primarily in 'alcoholic beverages, tobacco', prices of spirits, wine and beer (4.2 %, 1.6 % and 7.0 %, respectively) due to higher excise tax and VAT. Similarly, the rise in prices in 'transport' was influenced by higher prices of automotive fuel by 7.0 %. Prices of transport services were higher by 1.1 %. In 'restaurants and hotels', prices of meals increased by 0.9 %, beer by 3.0 % and prices in canteens by 3.1 %. In 'health', amounts paid by patients for drugs were 4.5 % up.

A downward effect on the price level came from discounts on clothing and footwear (by 3.6 % and 3.4 %, respectively) due particularly to winter sales. In 'housing, water, electricity, gas and other fuels', prices of electricity dropped by 2.5 % and natural gas by 0.6 %. In 'transport', prices of cars were lower by 4.7 %.

Prices of goods in total increased by 0.8 % and prices of services by 1.8 %.

In terms of the **year-on-year** comparison, in January 2010, the increase in consumer prices slowed down to 0.7 % (from 1.0 % in December 2009). A slowdown of the price growth came particularly from price development in 'housing, water, electricity, gas and other fuels', in which a rise in the net actual rentals slowed down to 11.7 % (from 19.4 % in December) due to their marked increase in January 2009. Regulated rentals rose by 18.5 % (from 27.6 % in December) and market rentals by 3.2 % (from 4.6 % in December). Due to the same reason the price growth in water supply and sewerage collection slowed down to 4.2 % and 4.7 %, respectively (from 9.2 % and 9.0 %).

A growth of the price level was most influenced by prices in 'transport' in January, particularly due to higher prices of automotive fuel by 28.1 %. In 'alcoholic beverages and tobacco', prices of alcoholic beverages went up by 4.4 %. Prices of both catering and accommodation services rose by 2.4 %. In 'miscellaneous goods and services', prices of social services and insurance increased (by 6.0 % and 1.1 %, respectively).

The reduction of price level came from 'food and non-alcoholic beverages' in which prices of many kinds of food remained lower, year-on-year. Prices of bread were lower by 15.5 %, rolls and baguettes by

30.0 %, flour by 27.0 %, milk by 8.9 %, edible oils by 11.7 %. In 'clothing and footwear', prices of clothing were lower by 4.2 %. In 'housing, water, electricity, gas and other fuels', prices of natural gas and electricity went down (-12.3 % and -2.7 %, respectively). In 'recreation and culture', a decrease in prices of audiovisual and photographic equipment and data-processing equipment continued (-7.3 %). Prices of mobile phones decreased and so did prices of telephone and telefax services due to discounts provided by mobile operators (-11.3 % and -2.3 %, respectively).

Prices of goods in total dropped by 0.5 %, while prices of services were higher by 2.3 %. The overall consumer price index excluding imputed rentals was 100.4 %, year-on-year.

**Average inflation rate**, i.e. the increase in the average consumer price index in the twelve months to January 2010 compared with the average CPI in the previous twelve months, stood at 0.9 % in January, which is 0.1 percentage point down compared with December 2009.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices** (HICP) in the **EU27 member states** was 1.4 % in **December 2009** (0.4 percentage point up on November). The highest annual rates were observed in Hungary (5.4 %) and Romania (4.7 %). A year-on-year drop was recorded for five EU member states. The biggest decrease was reported for Ireland (-2.6 %). In Germany, prices grew by 0.8 % (from 0.3 % in November). In Slovakia, the price growth was zero (the same as in November). According to preliminary calculations, the HICP in the **Czech Republic in January** increased by 1.2 %, **month-on-month**, and by 0.4 % (0.5 % in December), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in January 2010** was 1.0 %, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).

In January 2010, in comparison to December 2009, consumer prices rose in **households of pensioners** by 1.5 %. It was recorded a higher consumer price index for 'alcoholic beverages, tobacco' by 3.8 %. The increase was affected particularly by higher prices of beer and spirits. Higher index was registered for 'health' by 3.7 % due mainly to an increase in fees paid by patients on prescription drugs. In 'transport', the consumer price level went up by 2.4 %. An upward effect on the consumer price level came primarily from the rise in prices of automotive fuel. On the other hand, a lower index was recorded for 'clothing and footwear' (-3.3 %) mainly due to lower prices of ready-made clothing and footwear.

**In the capital city of Prague**, the overall consumer price index (cost of living) increased by 1.1 % month-on-month (1.2 % in the whole Czech Republic). The consumer price index for 'alcoholic beverages, tobacco' increased by 2.6 % (2.6 % in the Czech Republic, as well) due primarily to higher prices of beer and spirits. Prague registered a higher index for 'health' by 2.6 % (2.5 % in the Czech Republic) particularly due to higher fees paid by patients on prescription drugs. The consumer price index for 'food and non-alcoholic beverages' went up by 2.2 % (1.9 % in the Czech Republic), affected mainly by higher prices of vegetables and yoghurts. On the other hand, a decrease occurred in 'clothing and footwear' by 4.8 % (-3.4 % in the Czech Republic) as a result of lower prices of women's and children's ready-made clothing and children's footwear in particular.