

# FUEL PRICES CONTINUED TO DECLINE

## Consumer price indices – January 2015

Consumer prices in January rose compared with December 2014 by 0.1%. The development in January was due to the significant decrease in prices in 'transport' and 'health', which was offset by an increase in prices primarily in 'alcoholic beverages and tobacco', 'recreation and culture', 'food and non-alcoholic beverages'. The year-on-year increase in consumer prices in January remained at the same level as in December 2014, i.e. 0.1%.

The **month-on-month** increase in consumer prices in 'alcoholic beverages and tobacco' came from the rise in prices of alcoholic beverages by 5.0%. In 'recreation and culture', prices of winter package holidays rose by 6.0%. In 'food and non-alcoholic beverages', prices of vegetables increased by 3.4% in particular, of which potatoes by 10.0%, further oils and fats prices by 3.2%, chocolate and chocolate-based products by 3.8%, non-alcoholic beverages by 1.0%, poultry by 1.9%, other milk products by 2.0%. In 'housing, water, electricity, gas and other fuels' prices of the net actual rentals went up by 0.2%, water supply by 3.4%, sewage collection by 2.8%, natural gas by 1.7%, heat and hot water by 0.8%. In 'miscellaneous goods and services', prices of other appliances, articles and products for personal care were higher by 2.0%.

A contrary effect on the overall consumer price level in January owed to a further substantial drop in prices of fuel by 8.1%. The average price of petrol Natural 95 (31.07 CZK per litre) was the lowest in January 2015 since February 2010. The average price of diesel oil amounted to 31.89 CZK per litre and was the lowest since November 2010. The fall in prices in 'health' was influenced by the abolition of the regulatory fees in the dispensing of prescription medicines and fees for a doctor's and dentist's visit. In 'clothing and footwear', prices of garments and shoes and other footwear decreased (-2.6% and -4.8%, respectively). In food, prices of rolls and baguettes and fruit prices went down (-2.3% and -2.0%, respectively).

Prices of goods in total increased by 0.1% and prices of services remained unchanged <sup>2)</sup>.

The second reduced VAT rate of 10% was introduced on selected products since January 2015.

The impact of the lower VAT on an overall increase of the m-o-m consumer price index amounted to -0.07 percentage points, according to the CZSO calculation.

In terms of the **year-on-year** comparison, in January 2015, the consumer price level rose by 0.1%, i.e. the same as in December 2014. However, the price development was different in some divisions of consumer basket in January. It was concerned mainly with 'housing, water, electricity, gas and other fuels', where prices turned to the growth by 1.2% in January from a drop (-0.6%) in December. This caused electricity prices, which were lower by 9.6% in December and only by 0.3% in January. The rise in natural gas prices accelerated to 4.5% from 2.4% in December. An acceleration in the y-o-y price growth occurred also in 'alcoholic beverages and tobacco', where prices of alcoholic beverages were higher by 2.4% (0.7% in December). In 'clothing and footwear', prices of shoes and other footwear rose by 9.7% (8.1% in December). In 'recreation and culture', prices of package holidays went up by 5.4% (3.7% in December). On the other hand, in 'transport', 'health', 'food and non-alcoholic beverages' was shown a deeper price drop. In 'transport', fuel prices went down by 13.9% y-o-y (-6.0% in December). In 'health', prices decreased by 6.2% (-0.4% in December) due to the abolition of regulatory fees in particular. In 'food and non-alcoholic beverages', fruit prices (-7.4% in January compared with a growth by 1.4% in December) caused the more significant y-o-y decrease in prices in January than in December. Prices of bread and cereals were lower by 0.3% (a growth 0.3% in December), yoghurts by 0.1% (a rise 4.6% in December), coffee by 0.1% (a growth 1.5% in December). Vegetable prices dropped by 14.8% (-14.3% in December).

The biggest influence on the growth of the price level came from prices in 'housing, water, electricity, gas and other fuels' in January. The same effect had prices in 'miscellaneous goods and services', where prices of insurance and financial services were higher (2.0% and 5.8%, respectively).

The reduction of the y-o-y price growth was affected by a decline in prices in 'transport', 'food and non-alcoholic beverages', 'health'. The year-on-year decrease in prices continued in 'communication' due to the drop in prices of telephone and telefax services and mobile phones (-1.3% and -21.2%, respectively).

Prices of goods in total went down (-0.5%), while prices of services were higher by 0.9%<sup>2)</sup>. The overall consumer price index excluding imputed rentals was 99.9%, year-on-year.

Inflation rate, i.e. the increase in the average consumer price index in the twelve months to January 2015 compared with the average CPI in the previous twelve months, stood at 0.3% in January.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices (HICP)**<sup>1)</sup> in the **EU28 member states** was -0.1% in December, i.e. 0.4 percentage point less than in November. Prices went up the most in Romania and Austria (1.0% and 0.8%, respectively). On the other hand, the largest price decline occurred in Greece and Bulgaria (-2.5% and -2.0%, respectively). In Slovakia, prices dropped by 0.1% (the y-o-y growth of prices was zero in November). In Germany, the year-on-year price rise slowed down to 0.1% in December, i.e. 0.4% down on November. According to preliminary calculations, the HICP in the Czech Republic in **January** amounted to -0.1%, **month-on-month**, and was also -0.1% (0.1% in December), **year-on-year**. The MUICP (Monetary Union Index of Consumer Prices) flash estimate for the **Eurozone in January 2015** amounted to -0.6%, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).

<sup>1)</sup> So far, imputed rentals have been excluded from the HICP

<sup>2)</sup> Data were amended on 8 April 2015