

ANALYSIS

9 October 2012

CONSUMER PRICE INDICES IN Q3 2012

The total consumer price level in Q3 2012 remained unchanged compared with Q2. Consumer prices rose by 3.3% in Q3 2012, year-on-year, which was 0.1 percentage point down on Q2.

The quarter-on-quarter (q-o-q) development of the price level was affected especially by a price rise in 'alcoholic beverages and tobacco', 'health', 'recreation and culture', which was compensated mainly by a price drop in 'food and non-alcoholic beverages', 'clothing and footwear'.

In 'alcoholic beverages and tobacco', prices of tobacco products increased by 2.1% due to the lingering impact of the excise tax increase since January 2012. In 'health', a repeal of health insurance payments for drugs - that could be prescribed by a doctor and that could be sold over-the-counter, too – was reflected. The growth of prices in 'recreation and culture' came from the seasonal summer price increases in package holidays by 10.7%. In 'food and non-alcoholic beverages', a price drop occurred due primarily to lower seasonal prices of fruit and vegetables and moderately lower prices of bread, rolls and baguettes, milk and butter. A price decrease in 'clothing and footwear' was influenced mainly by sales discounts on summer kinds of clothing and footwear.

The average month-on-month (m-o-m) growth rate in Q3 2012 was the same as in Q3 2011 (-0.1%).

Consumer price indices the previous quarter = 100

DIVISION	2011		2012		
	Q3	Q4	Q1	Q2	Q3
TOTAL	100.1	100.5	102.5	100.3	100.0
Food and non-alcoholic beverages	98.5	102.3	105.1	100.8	99.0
Alcoholic beverages and tobacco	101.1	99.8	100.8	100.3	101.3
Clothing and footwear	96.8	103.0	94.5	103.5	95.6
Housing, water, electricity, gas and other fuels	100.8	100.6	103.8	100.1	100.2
Furnishings, household equipment and routine maintenance of the house	99.5	99.7	100.0	99.7	99.3
Health	100.9	101.4	106.2	100.3	101.9
Transport	100.0	100.5	102.3	100.4	99.6
Communications	99.7	99.6	99.6	99.7	99.1
Recreation and culture	102.0	97.0	101.3	99.7	101.6
Education	100.6	101.2	100.3	100.1	100.4
Restaurants and hotels	100.6	100.5	102.0	101.1	100.4
Miscellaneous goods and services	100.1	100.2	101.5	100.2	100.0

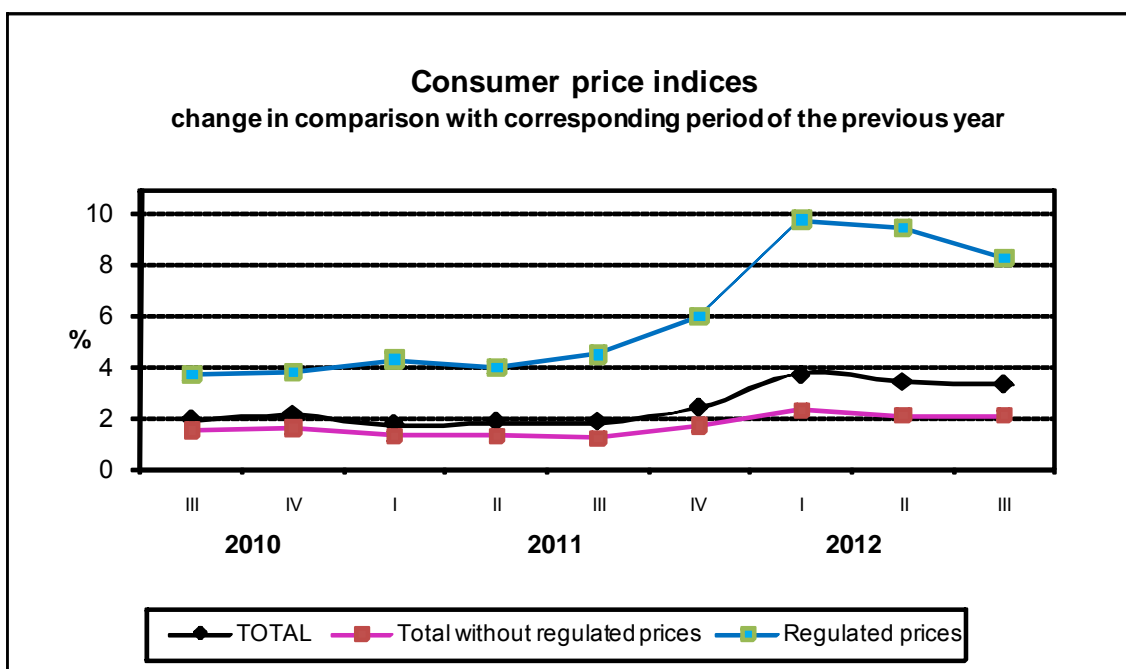
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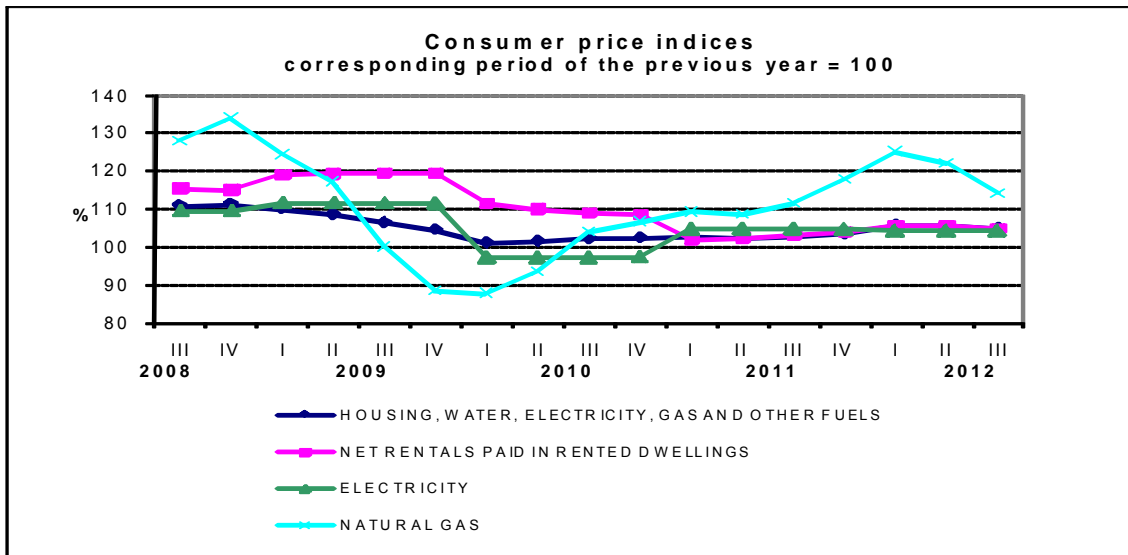
Consumer prices rose by 3.3%, **year-on-year (y-o-y), in Q3 2012 compared with Q3 2011**, i.e. by 0.1 percentage point down on Q2 2012. A moderate slowdown of the price growth occurred primarily in 'housing, water, electricity, gas and other fuels' and 'transport'. Some divisions of the consumer basket ('clothing and footwear', 'furnishings, household equipment and routine maintenance of the house', 'communications') showed a deepening in the price drop and thus a rise in their influence on the reduction of the price level. On the other hand, prices in 'food and non-alcoholic beverages', 'alcoholic beverages and tobacco', 'health' increased moderately, y-o-y. The rise in the market prices was the same as in Q2 (2.1%) and the increase in the regulated¹⁾ prices slowed down to 8.3% (from 9.5% in Q2). From the chart it is apparent that after a considerable rise in both the market and regulated prices in January, a reduction in prices was recorded during 2012, which was more striking at regulated prices due primarily to the y-o-y development of housing prices in particular.



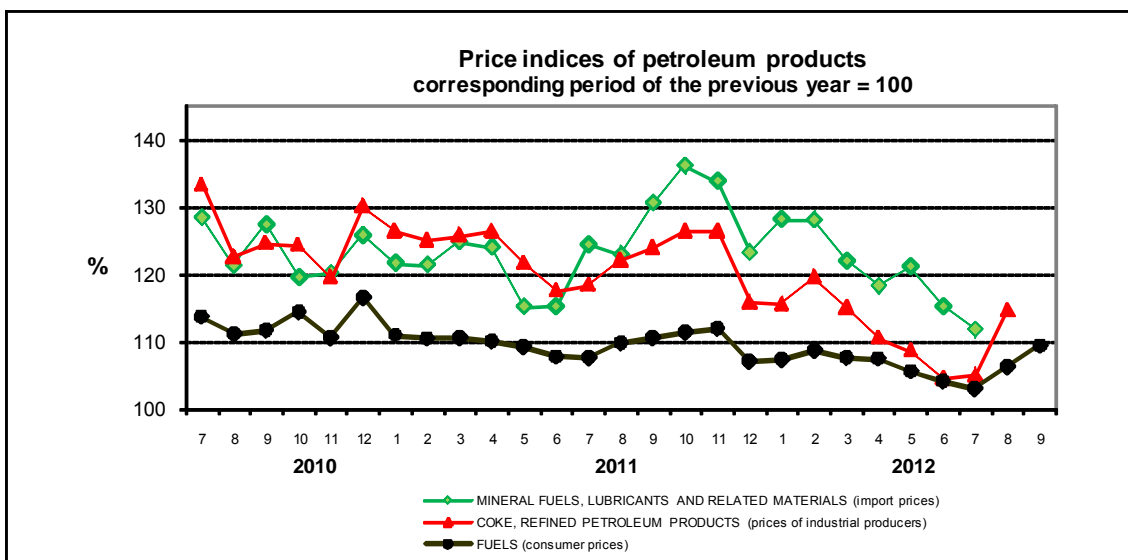
In '**housing, water, electricity, gas and other fuels**', a marked y-o-y rise in prices of natural gas in Q1 2012 was shown, which was gradually reduced due to the price increase during the year 2011. In Q3, prices of natural gas were higher by 14.0% (22.0% in Q2). In comparison with Q2, the y-o-y growth of the net actual rentals slowed down and was higher by 4.7% (5.6% in Q2), of which for dwellings with regulated rentals by 11.1% and for dwellings with market rentals by 1.9%. The electricity price was higher by 4.2% in all quarters of 2012. Prices of water supply were higher by 12.0%, sewerage collection by 10.5%, heat and hot water by 8.6%.

¹⁾ Goods and services prices of which are partly or entirely regulated.

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In 'transport', the price development in Q3 was affected particularly by a growth of fuel prices on the one hand and a drop in car prices on the other hand. Fuel prices started to decrease since May to July 2012 after a rise, which continued for seven months. These prices rose markedly again in August and September. Prices of petrol Natural 95 and diesel oil thus exceeded their historical maxima. The development of the consumer prices of fuel in relation to prices of industrial producers and import prices of petroleum products is shown in the following chart. In Q3, the growth of prices in public transport slowed down to 7.2% from 7.7% in Q2.



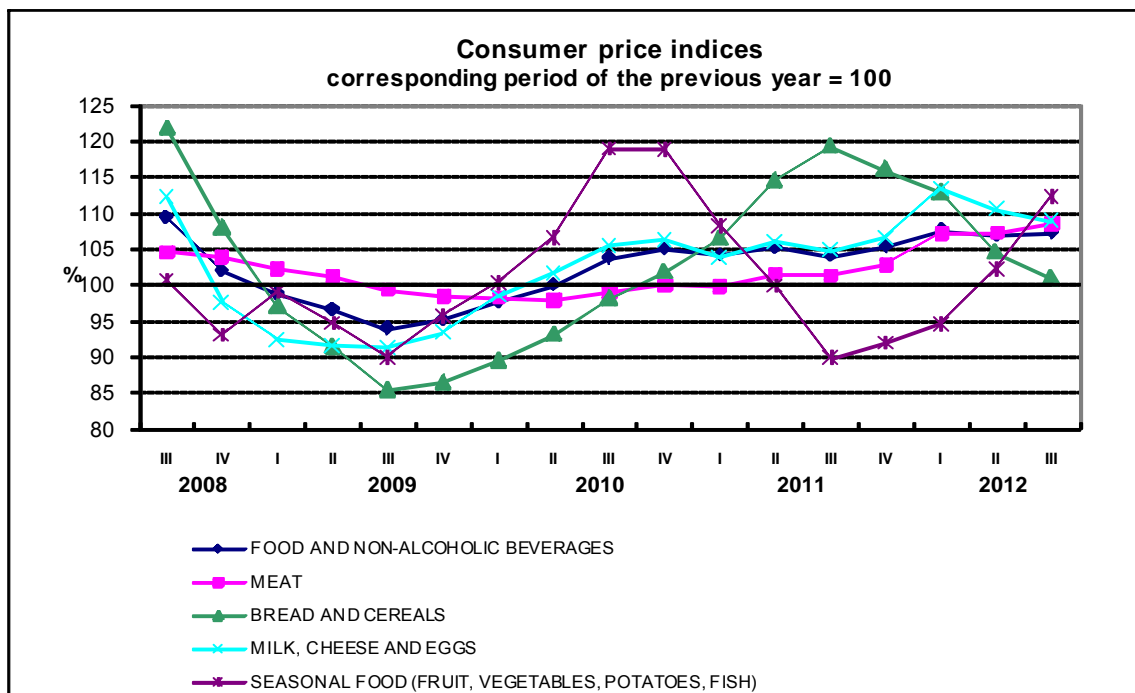
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The acceleration in the y-o-y rise in **'food and non-alcoholic beverages'** came primarily from prices of fruit and vegetables, which are characterized by strong seasonal fluctuations. Fruit prices went up by 12.9 % (7.2% in Q2) and vegetables by 11.6% (a drop by 4.1% in Q2). The increasing tendency was recorded for meat prices, which were higher by 8.5% (7.2% in Q2). On the other hand, a slowdown of the price growth was recorded for bread and cereals, which were higher by 8.5% (7.2% in Q2). On the other hand, a slowdown of the price growth was recorded for bread and cereals, milk, cheese, eggs, sugar, cocoa, coffee, tea. A drop continued in prices of oils and fats, which were lower by 2.4% (1.2% in Q2).



In **'alcoholic beverages and tobacco'**, the increase in prices of tobacco products accelerated to 3.4% from 2.5% in Q2 due primarily to a delayed impact of the increase in the excise tax.

In **'health'**, the y-o-y price increase accelerated due to higher prices of medicaments and fees paid by patients on prescription drugs by 9.7%.

The y-o-y drop in prices in **'recreation and culture'** came mainly from lower prices of audio-visual, photographic and information processing equipment (-7.2%). The y-o-y rise in prices of package holidays slowed down to 1.1% in Q3 (1.7% in Q2) despite their marked q-o-q growth (which was, however, lower than 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 to their basic level from June. The y-o-y drop in prices continued in Q3 by clothing and footwear, household appliances and mobile phones.

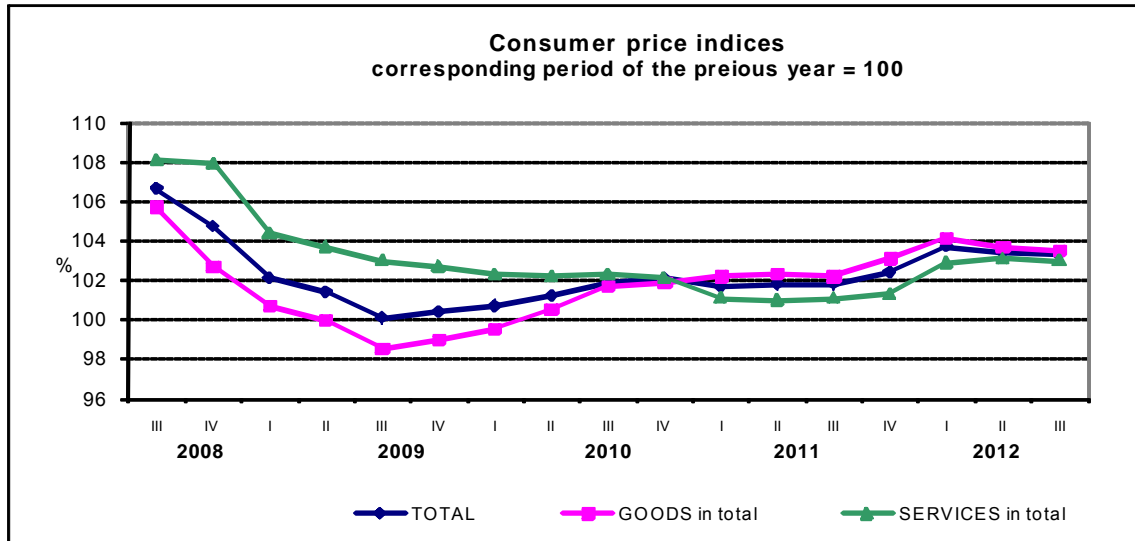
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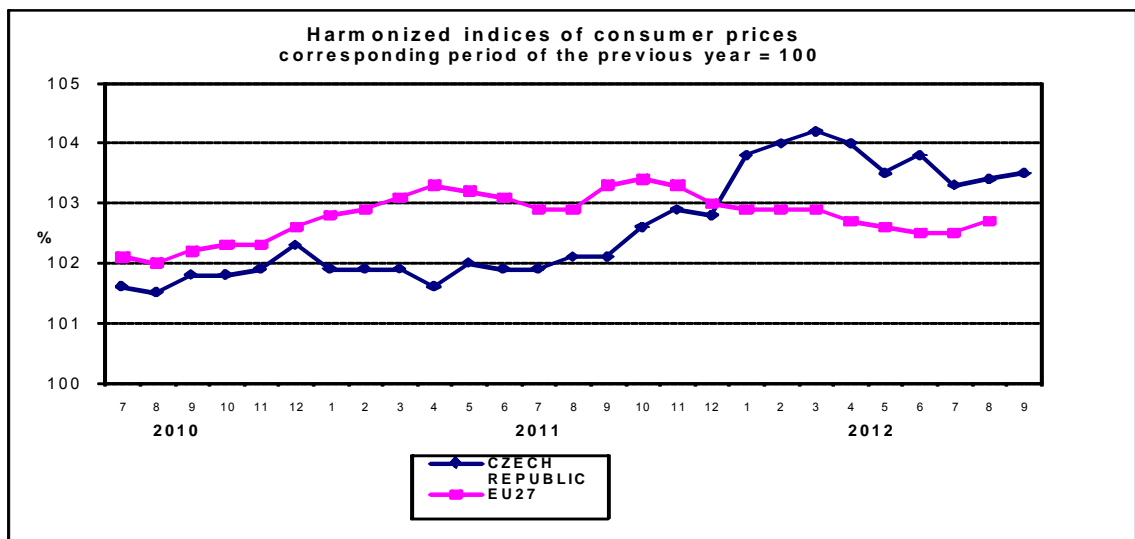
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Prices of **goods in total** increased by 3.5% (3.7% in Q2 2012) and prices of **services** by 3.0% (3.1% in Q2).



Harmonized indices of consumer prices in the EU27

According to preliminary data of Eurostat, the y-o-y increase in the average harmonized index of consumer prices (HICP) in the EU27 was 2.5% in July and 2.7% **in August**. In the Czech Republic (CR) the y-o-y change of the HICP was 3.3% and 3.4% in the same months. According to preliminary data, the HICP growth in the CR amounted to 3.5% **in September**. It can be seen in the chart below that the y-o-y HICP in the CR was lower than the average HICP in the EU27 member states over a long term, but at the end of the year 2011 both indices started to converge and after the January jump in consumer prices, the HICP in the CR got about 1 percentage point above the average level in the EU.



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Consumer price indices in Q3 2012

COICOP	Division	Constant weights 2010 (per mille)	2011		2012						
			Corresponding period of last year = 100								
			Q3	Q4	Q1	Q2	July	August	September	Q3	
0	Total	1000.0	101.8	102.4	103.7	103.4	103.1	103.3	103.4	103.3	
01	Food and non-alcoholic beverages	149.8	104.0	105.3	107.5	106.8	107.0	107.3	107.3	107.2	
01.11	<i>Bread and cereals</i>	23.6	119.2	116.0	112.8	104.5	101.3	100.9	100.4	100.8	
01.12	<i>Meat</i>	35.1	101.3	102.8	107.1	107.2	107.8	107.9	109.8	108.5	
02	Alcoholic beverages, tobacco and narcotics	96.0	102.8	102.8	102.2	102.0	102.1	102.3	102.4	102.3	
03	Clothing and footwear	35.9	98.2	98.6	96.7	97.5	97.1	95.9	96.0	96.4	
04	Housing, water, electricity, gas and other fuels	280.3	102.8	103.4	105.6	105.4	104.8	104.7	104.8	104.8	
04.111	<i>Net rentals paid in rented dwellings</i>	37.8	103.2	104.0	105.5	105.6	105.2	104.4	104.5	104.7	
04.511	<i>Electricity</i>	44.0	104.8	104.7	104.2	104.2	104.2	104.2	104.2	104.2	
04.521	<i>Natural gas</i>	28.6	111.5	117.7	125.1	122.0	114.0	114.0	114.0	114.0	
05	Furnishings, household equipment and routine maintenance of the house	58.0	98.3	98.5	98.9	98.9	98.4	98.6	98.6	98.6	
06	Health	23.1	101.9	103.8	109.8	109.0	109.9	109.9	110.0	109.9	
07	Transport	105.0	102.9	103.8	104.0	103.2	101.9	102.9	103.7	102.8	
07.221	<i>Automotive fuels</i>	33.9	109.4	110.2	108.0	105.8	103.1	106.5	109.6	106.4	
08	Communications	36.1	99.5	99.2	98.7	98.5	98.5	97.8	97.3	97.9	
09	Recreation and culture	90.4	97.7	98.6	99.8	100.0	99.2	99.4	100.1	99.6	
09.60	<i>Package holidays</i>	18.8	98.2	100.8	102.7	101.7	100.9	101.1	101.2	101.1	
10	Education	7.8	102.2	102.1	102.1	102.1	102.2	102.3	101.4	102.0	
11	Restaurants and hotels	48.6	101.5	102.0	103.6	104.1	104.1	103.9	103.8	103.9	
12	Miscellaneous goods and services	69.0	100.7	100.6	101.5	101.9	101.6	101.9	101.9	101.8	

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