

Year-on-year inflation dropped close to zero

Consumer price indices – July 2009

The total consumer price level in July decreased compared with June by 0.4 %. A downward effect on the consumer price level, month-on-month, came primarily from further price reduction in 'food and non-alcoholic beverages'. The year-on-year consumer price growth decelerated markedly to 0.3 % in July (from 1.2 % in June), which is the lowest figure since September 2003.

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The **month-on-month** consumer price development was influenced primarily by a price drop in 'food and non-alcoholic beverages', which continued for the sixth month to reach 2.4 % in July. The fall in prices was recorded for most kinds of food. Lower were particularly prices of bread by 3.5 %, rolls and baguettes by 10.4 %, milk by 3.6 %, cheese by 2.4 %, fruit by 5.4 %, vegetables including potatoes by 12.2 %. In 'housing, water, electricity, gas and other fuels', prices of natural gas went down by 6.3 %. A drop in prices of clothing and footwear had a downward effect on the price development due to discounts on summer goods (-3.0 % and -2.9 %, respectively). In 'communications', lower prices of roaming were registered.

An opposite effect on the consumer price level came from a price increase in package holidays by 12.2 %, of which domestic holidays by 5.3 % and foreign holidays by 14.2 %. In 'housing, water, electricity, gas and other fuels', net actual rentals rose by 1.2 %. In 'transport', a marked rise in automotive fuel prices in the previous five months stopped and only a 0.4% price increase was registered.

Prices of goods in total dropped by 1.2 %, while prices of services rose by 0.9 %.

In terms of the **year-on-year** comparison, in July, the increase in consumer prices was 0.3 % only, i.e. 0.9 percentage point down on June. This considerable slowdown came from almost all divisions of consumer basket. A decelerated price growth was recorded primarily in 'housing, water, electricity, gas and other fuels', where prices of natural gas recorded a zero growth, while in June they were 17.1% up, y-o-y. A deceleration of the price growth was registered also in 'alcoholic beverages, tobacco' due to lower price increase in tobacco products by 12.6 % (14.8 % in June).

In 'food and non-alcoholic beverages' prices of many kinds of food continued to fall. Prices of bread and cereals were lower by 14.3 % (-10.8 % in June), oils and fats by 6.6 % (-5.7 % in June), milk, cheese, eggs by 9.1 % on average (-7.8 % in June), fruit by 16.4 % (-12.7 % in June), vegetables including potatoes by 11.6 % (-7.7 % in June). In 'recreation and culture', in spite of a marked month-on-month growth, which was lower than in the previous year, prices of package holidays decreased by 1.1 %, y-o-y, (0.3 % in June).

The most marked growth in the price level came from 'housing, water, electricity, gas and other fuels' (in spite of lower prices of natural gas), in which the prices of electricity rose by 11.6 %, heat and hot water by 7.4 %, water supply by 9.2 % and sewerage collection by 9.0 %. Net actual rentals rose by 19.5 %, of which for dwellings with regulated rentals by 27.9 %, while for dwellings with market rentals by 4.2 %.

Prices in 'transport', in which prices of automotive fuel dropped by 14.0 %, remained lower compared to the previous year. A fall in prices continued in clothing (-4.8 %), footwear (-1.9 %), detergents (-12.3 %), cars (-9.3 %), audiovisual and photographic equipment and data-processing equipment (-10.0 %). Prices of mobile phones also decreased and so did prices of telephone and telefax services due to discounts provided by mobile operators (-15.4 % and -5.6 %, respectively).

Prices of goods in total dropped by 1.5 % and prices of services were higher by 3.2 %. The overall consumer price index excluding imputed rentals was 100.0 %, year-on-year.

Average inflation rate, i.e. **the increase in the average consumer price index in the twelve months to July 2009** compared with the average CPI in the previous twelve months, stood at 3.1 % in July, which is 0.6 percentage point down compared with June 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 0.6 % in **June** (0.2 percentage point down on May). The highest annual rates were observed in Romania (5.9 %). In the seven EU member states was recorded a year-on-year drop in June, of which the biggest decrease was reported for Ireland (- 2.2 %). In Germany, the reported growth of prices was 0.0 % in June for the second month, in Slovakia the growth decelerated to 0.7 % (from 1.1 % in May). According to preliminary calculations, the rise in the HICP in the **Czech Republic in July 2009** dropped by 0.4 %, **month-on-month**, and by 0.1 % (a 0.8 % growth in June), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in July 2009** was -0.6 %, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).