

Food prices dropped again

Consumer price indices – August 2009

The total consumer price level in August decreased compared with July by 0.2 %. 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 moderately to 0.2 % in August (from 0.3 % in July), 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 seventh month to reach 1.1 % in August. Lower were particularly prices of rolls and baguettes by 3.3 %, milk by 1.7 %, yoghurts by 1.5 %, fruit by 7.9 %, vegetables including potatoes by 6.5 %. Prices of clothing and footwear dropped due primarily to summer sales (-0.9 % and -1.3 %, respectively).

An opposite effect on the consumer price level came from a price increase in package holidays by 2.9 %. In 'housing, water, electricity, gas and other fuels', net actual rentals rose by 0.2 %. In 'transport', automotive fuel prices increased by 0.5 %.

Prices of goods in total dropped by 0.4 %, while prices of services rose by 0.2 %.

In terms of the **year-on-year** comparison, in August, the increase in consumer prices was 0.2 % only, i.e. 0.1 percentage point down on July. This deceleration came particularly from 'alcoholic beverages, tobacco', in which a slowdown of y-o-y growth in prices of tobacco products to 9.3% (from 12.6% in July) was recorded due to higher prices of cigarettes in August 2008.

The most marked growth in the price level came from 'housing, water, electricity, gas and other fuels', 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 4.3 %.

In 'food and non-alcoholic beverages', prices were lower than in the previous year for the ninth month. Prices of bread were lower by 14.9 %, rolls and baguettes by 38.1 %, flour by 32.4 %, milk by 18.0 %, butter by 11.3 %, fruit by 17.1 %, vegetables including potatoes by 6.3 %. A fall in prices continued in clothing (-4.8 %) and footwear (-2.2 %). In 'transport', a drop in prices of automotive fuel slowed down to 10.7 % from 14.0 % in July and prices of cars dropped by 9.7 %. In 'recreation and culture', a decrease in prices of audiovisual and photographic equipment and data-processing equipment continued (-10.3 % in August). Prices of mobile phones decreased and so did prices of telephone and telefax services due to discounts provided by mobile operators (-14.6 % and -5.6 %, respectively).

Prices of goods in total dropped by 1.5 % and prices of services were higher by 2.9 %. The overall consumer price index excluding imputed rentals was 100.1 %, year-on-year.

Average inflation rate, i.e. **the increase in the average consumer price index in the twelve months to August 2009** compared with the average CPI in the previous twelve months, stood at 2.6 % in August, which is 0.5 percentage point down compared with July 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 0.2 % in **July** (0.4 percentage point down on June). The highest annual rates were observed in Romania (5.0 %) and Hungary (4.9 %). The number of EU member states, where a year-on-year drop was recorded, increased from eight in June to fourteen in July. The biggest decrease was reported for Ireland (-2.6 %). In Germany, the drop of HICP was -0.7 %. In Slovakia the price growth decelerated to 0.6 % (from 0.7 % in June). According to preliminary calculations, the HICP in the **Czech Republic in August 2009** dropped by 0.2 %, **month-on-month**, and by 0.0 % (a 0.1 % decrease in July), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in August 2009** was -0.2 %, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).

In August 2009, in comparison to July 2009, consumer prices dropped in **households of pensioners** by 0.3 %. It was recorded a lower consumer price index for 'food and non-alcoholic beverages' by 1.1 %. The decrease was affected particularly by lower prices of fruit, vegetables, rolls and baguettes and milk. Lower index was registered for 'clothing and footwear' by 1.0 % due mainly to a decrease in prices of women's ready-made clothing and women's and men's footwear. In 'alcoholic beverages, tobacco', the consumer price level decreased by 0.1 %. A downward effect on the consumer price level came from the drop in prices of wine and beer. On the other hand, a higher index was recorded for 'recreation and culture' (0.5 %) mainly due to higher prices of recreational stays abroad.

In the capital city of Prague, the overall consumer price index (cost of living) dropped by 0.1 % month-on-month (0.2 % in the whole Czech Republic). The consumer price index for 'food and non-alcoholic beverages' decreased by 1.6 % (1.1 % in the Czech Republic) due primarily to lower prices of fruit, rolls and baguettes and vegetables. Prague registered a lower index for 'clothing and footwear' by 1.2 % (0.9 % in the Czech Republic) particularly due to lower prices of women's ready-made clothing and men's and women's underwear and knitwear. The consumer price index for 'alcoholic beverages, tobacco' went down by 0.5 % (0.1 % in the Czech Republic), affected mainly by lower prices of wine and beer. On the other hand, a seasonal rise occurred in 'recreation and culture' by 0.8 % (by 0.6 % in the Czech Republic) as a result of higher prices of recreational stays abroad in particular.