

## Year-on-year inflation rate slowed down again

### Consumer price indices – January 2009

The total consumer price level in January increased compared with December by 1.5 %. An upward effect on the consumer price level, month-on-month, came mainly from the price rise in 'housing, water, electricity, gas and other fuels'. The year-on-year consumer price growth decelerated to 2.2 % in January (from 3.6 % in December). It was the lowest year-on-year price growth since March 2007.

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The month-on-month consumer price increase by 1.5% owed to a price rise in administratively regulated prices, which increased by 5.8%, while market prices rose by 0.4 %. The growth of regulated prices came from prices in 'housing, water, electricity, gas and other fuels', in which prices of electricity increased by 11.6 %, heat and hot water by 3.2 %, water supply and sewerage collection by 8.7 %. Net actual rentals increased by 15.3%, of which for dwellings with regulated rentals by 22.8%, while for dwellings with market rentals by 1.6%. The market price growth came from higher prices in 'food and non-alcoholic beverages', in which an increase was recorded primarily for seasonal prices of fruit and vegetables incl. potatoes (by 11.8 % and 9.4 %, respectively). Higher were also prices of sugar, chocolate and chocolate products and non-alcoholic beverages (by 2.6 %, 3.5 % and 2.8 %, respectively). Prices of alcoholic beverages went up by 1.5 %. In 'recreation and culture', the growth of prices was due to higher prices of package holidays by 3.1 %. In 'miscellaneous goods and services', prices of insurance increased by 4.6 %.

A downward effect on the consumer price level came from a price decrease in clothing by 3.0 % and footwear by 3.7 % due particularly to winter sales. In 'transport' a drop of automotive fuel prices slowed down in January to reach 3.3 %. In 'communications', the prices of mobile phones dropped and so did prices of telephone and telefax services due to new supplies offered by providers. In 'food and non-alcoholic beverages', lower were especially prices of bread, rolls and baguettes, milk and butter (by 4.5 %, 3.8 %, 1.1 % and 3.9 %, respectively).

Prices of goods in total increased by 1.1 % and prices of services were 2.1 % up.

In terms of the year-on-year comparison, in January, the increase in consumer prices was 2.2 %, i.e. 1.4 percentage point down on December. A slowdown of the price growth was primarily recorded for items whose prices went up markedly in January 2008. The biggest slowdown of price growth was recorded for prices in 'health', in which the effect of regulated fees introduced in January 2008 was eliminated. Similarly, in 'restaurants and hotels', partly in food and other products and services, the effect of the VAT increase since January 2008 abated. In 'recreation and culture', an increase of TV licence fees in the previous year stopped to have an influence.

The year-on-year price growth came mainly from the development in 'housing, water, electricity, gas and other fuels', where prices of natural gas rose by 24.3 %, electricity by 11.6 %, heat and hot water by 9.2 %, water supply by 13.4 % and sewerage collection by 14.2 %. Net actual rentals rose by 18.9 %, of which for dwellings with regulated rentals by 26.2 %, while for dwellings with market rentals by 5.4 %. Prices of tobacco products increased by 13.7 %.

A reversed effect on the consumer price level year-on-year came from prices in 'transport', in which prices of automotive fuel dropped by 24.6 % and prices of cars by 11.5 %. Compared with 2008, prices of food were lower due particularly to prices of fruit (-12.6 %), bread (-3.9%), rolls and baguettes (-4.3 %), flour (-7.4 %), eggs (-16.2 %), fresh milk (-9.9 %), cheese (-8.6 %), butter (-15.1 %) and potatoes (-10.0 %). A price drop continued in clothing (-1.1 %), devices and household appliances (-1.8 %) and audio-visual and photographic equipment and data-processing equipment (-13.8 %). In 'communications', prices of mobile phones decreased and so did prices of telephone and telefax services.

Prices of goods in total grew by 0.5 % and prices of services by 4.9 %. The overall consumer price index excluding imputed rentals was higher by 1.8 %, year-on-year.

Average inflation rate, i.e. **the increase in the average consumer price index in the twelve months to January 2009** compared with the average CPI in the previous twelve months, stood at 5.9 % in January, which is 0.4 percentage point down compared with December 2008.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices** (HICP) in the **EU 27 member states** was 2.2 % in **December** (0.6 p.p. down on November). The highest annual rates were observed in Latvia (10.4 %) and Lithuania (8.5 %). The lowest rates were recorded in Luxemburg (0.7 %) and Portugal (0.8 %). In Germany, the growth of prices slowed down to 1.1 % in December (from 1.4 % in November), in Slovakia to 3.5 % (3.9 % in November).

According to preliminary calculations, the HICP in the **Czech Republic in January 2009** increased by 1.4 %, **month-on-month**, and decelerated to 1.4 % (3.3 % in December), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in January 2009** was 1.1 %, y-o-y, as Eurostat announced (more information at the Eurostat's web pages: [HICP](#)).

In January 2009, in comparison to December 2008, consumer prices grew by 2.1% in **households of pensioners**. It was recorded a higher consumer price index for 'housing, water, electricity, gas and other fuels' by 6.3 %. The increase was affected particularly by higher net actual rentals, higher prices of electricity, water supply and sewerage collection. Higher index was registered for 'food and non-alcoholic beverages' (by 1.8 %) due mainly to a seasonal increase in prices of fruit and vegetables. In 'recreation and culture', the consumer price level rose by 1.1 %. An upward effect on the consumer price level came from the increase in prices of domestic recreational stays and recreational stays abroad and also newspapers and magazines. On the other hand, a lower index was recorded for 'clothing and footwear' by -3.0 % 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) grew by 1.8 % month-on-month (1.5 % in the whole Czech Republic). The consumer price index for 'housing, water, electricity, gas and other fuels' increased by 4.7 % (4.7 % in the Czech Republic as well) due to higher prices of higher net actual rentals, higher prices of electricity, water supply and sewerage collection. Prague registered a higher index for 'food and non-alcoholic beverages' by 1.2 % (1.6 % in the Czech Republic) particularly due to higher seasonal prices of vegetables and fruit. The consumer price index for 'recreation and culture' grew by 1.2 % (0.9 % in the Czech Republic), affected mainly by higher prices of domestic recreational stays. On the other hand, a drop occurred in 'clothing and footwear' by -3.4 % (by -3.2 % in the Czech Republic) as a result of lower prices of children's and men's ready-made clothing and women's footwear.