

## Introductory Note

This publication provides a general overview of the price level movements in the sphere of consumption.

In the framework of a comprehensive revision, which was in progress for individual price areas in 2005, the weighting scheme and the samples of price representatives were revised. The valid Classification of Individual Consumption by Purpose (CZ-COICOP) was used. In 2007 the CZSO began to publish price indices that were calculated according to new revised index patterns based on the structure of household consumption in 2005. The weights were determined using expenditures of households taken from household budget statistics and the data were adjusted by the national accounts statistics.

Starting from 2010, the weights were updated at the 4-digit level of the COICOP classifications using expenditures of households taken from national accounts statistics in 2008. The weights of elementary aggregates in individual classes at the 4-digit COICOP level correspond with the structure of household expenditures from household statistics in 2005. The base period was changed from December 2005 to December 2009. The calculated indices are chained at all levels of the consumer basket with the base period 2005 = 100. Thereby, a continuation of the existing index time series 2005 = 100, from which indices to other bases are derived (previous month = 100, corresponding period of last year = 100 and annual rolling average, i.e. the average of index numbers over the last 12 months to the average for the previous 12 months) are ensured.

The calculation of the price indices is based on prices of representatives collected in selected reporting units by aggregating simple price indices into an aggregate using a modified Laspeyres formula.

$$I = \frac{\sum \frac{p_1}{p_0} * p_0 q_0}{\sum p_0 q_0} * 100$$

$p_1$  = price of goods (service) in the reference (current) period  
 $p_0$  = price of goods (service) in the base period  
 $p_0 q_0$  = constant weight: expenditures of households on goods (service) in the base period.

A detailed breakdown of the aggregate indices including methodological notes can be found on the Internet, document *w-7103-11 Consumer Price Indices (Cost-of-Living) – detailed information*, which is always available on the 25th calendar day following the reference period.