

# YEAR-ON-YEAR INFLATION ACCELERATED IN JANUARY

## Consumer price indices – January 2012

**Consumer prices rose in January by 1.8%, month-on-month. This growth came from a rise in the reduced VAT rate from 10% to 14% and a price increase especially in 'housing, water, electricity, gas and other fuels'. The increase in consumer prices accelerated to 3.5%, year-on-year (2.4% in December 2011).**

The **month-on-month** growth of consumer prices was influenced by higher VAT, which was mainly shown in 'food and non-alcoholic beverages', 'health' and partly in 'housing, water, electricity, gas and other fuels' and 'transport'. The impact of this change on an overall increase of the m-o-m consumer price index in January amounted to a 1.1 percentage point growth, according to the CZSO approximate calculation. In 'food and non-alcoholic beverages', prices continued to grow: meat by 2.4%, fish by 1.8%, eggs by 5.5%, yoghurts by 4.7%, oils and fats by 1.8%, fruit by 5.4%, vegetables by 4.5% and non-alcoholic beverages by 2.8%. In 'health', prices of medicaments and fees paid by patients on prescription drugs rose by 6.4% in particular. In 'housing, water, electricity, gas and other fuels', prices of water supply increased primarily by 11.7%, sewerage collection by 10.0%, heat and hot water by 6.7%, from the items subject to reduced VAT rate. Prices of electricity and natural gas rose by 4.2%. The net actual rentals went up by 2.7%, of which for dwellings with regulated rentals rose by 5.7% and for dwellings with market rentals by 1.4%. In 'transport', prices of transport services increased by 4.0%. Prices of automotive fuel were higher by 2.1%, where the average price of diesel oil (36.32 CZK per litre) and petrol Natural 95 (35.72 CZK per litre) reached its historic high in January 2012. In 'alcoholic beverages, tobacco', prices of spirits rose by 3.9%. The growth of prices in 'recreation and culture' came particularly from higher prices of package holidays by 5.4% and newspapers and magazines also by 5.4%. In 'restaurants and hotels', there was a slight price rise in almost all items, of which the highest in the catering services in nursery schools and school canteens (3.6% and 2.9%, respectively).

A contrary effect on the price level came primarily from a drop in prices of clothing and footwear (-4.8% and -4.2%, respectively).

Prices of goods in total rose by 1.6% and prices of services by 2.0%.

In terms of the **year-on-year** comparison, in January, the increase in consumer prices was 3.5%, i.e. 1.1 percentage points up on December. An acceleration of the price growth was particularly shown in 'food and non-alcoholic beverages', 'housing, water, electricity, gas and other fuels', 'health', 'transport' and 'restaurants and hotels'. In 'food and non-alcoholic beverages', the year-on-year growth of prices was recorded for the majority of kinds of food. In 'housing, water, electricity, gas and other fuels', prices of natural gas rose by 25.1% (22.2% in December), water supply by 11.8% (6.2% in December), sewerage collection by 10.1% (5.8% in December), heat and hot water by 6.8% (1.9% in December). The net actual rentals went up by 5.7%, of which for dwellings with regulated rentals rose by 13.8% and for dwellings with market rentals by 1.9%. Electricity prices increased by 4.2%. In 'health', prices of medicaments and fees paid by patients on prescription drugs rose by 9.5% (2.5% in December). In 'transport', prices of transport services rose by 6.2% (2.9% in December). Prices of automotive fuel were higher by 7.4% y-o-y (7.2% in December). The price growth of catering services accelerated to 3.4%, of which in company canteens and school canteens by 6.0% (3.8% in December).

A dominant upward effect on the price level, which was even strengthened in January, came from prices of 'housing, water, electricity, gas and other fuels' and 'food and non-alcoholic beverages'. In food, prices of bread were higher by 16.2%, rolls and baguettes by 18.9%, meat by 7.3%, eggs by 26.3%, milk by 8.1%, yoghurts by 9.4%, cheese by 6.4%, other milk products by 12.4%, sugar by 32.7%, cocoa by 17.9%, coffee by 33.6%.

The reduction in the y-o-y growth came mainly from prices in 'clothing and footwear', where prices of clothing went down (-4.8%). The drop in prices in 'furnishings, household equipment and routine maintenance of the house' was influenced primarily by lower prices of household appliances (-4.2%) and a moderate decrease in prices of furniture, furnishings, carpets and household textiles. In 'recreation and culture', a decrease in prices of audio-visual, photographic and information processing equipment (-10.3%) continued. In 'communications', prices of mobile phones were lower (-5.6%).

Prices of goods in total increased by 4.0% and prices of services by 2.8%. The overall consumer price index excluding imputed rentals was 103.9%, year-on-year.

Inflation rate, i.e. the increase in the average consumer price index in the twelve months to January 2012 compared with the average CPI in the previous twelve months, stood at 2.1% in January.

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 3.0% in **December**, i.e. 0.4 percentage points down on November. The highest annual rate was observed in Slovakia (4.6%), and the lowest in Sweden (0.4%). In Germany, the y-o-y growth slowed down to 2.3% in December (2.8% in November). According to preliminary calculations, the HICP in the Czech Republic in **January 2012** increased by 1.8%, **month-on-month**, and amounted to 3.8% (2.8% in December), **year-on-year**. The MUICP (Monetary Union Index of Consumer Prices) flash estimate for the **Eurozone in January 2012** was 2.7%, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).

The consumer price indices are calculated with new weights, which are derived from the household expenditures in 2010, from January 2012 on the base of a standard revision of the calculations of the price indices. Up to now, indices have been calculated from the technical base December 2009=100; now it was replaced by a new technical base December 2011=100. Indices calculated that way are chained at all levels of the CZ-COICOP classification to the existing price indices with the base 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 the 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. A detailed information can be found on the CZSO web pages.