

YEAR-ON-YEAR INFLATION DROPPED MARKEDLY IN JANUARY

Consumer price indices – January 2014

Consumer prices in January 2014 rose only by 0.1% compared with December 2013, which is the lowest month-on-month increase in prices in January since 1993. This development came primarily from a price rise in 'food and non-alcoholic beverages' and 'alcoholic beverages and tobacco', which was offset by the decline in prices primarily in 'housing, water, electricity, gas and other fuels' and 'health'. The year-on-year growth of consumer prices slowed down to 0.2% in January (1.4% in December). This is the lowest year-on-year growth of prices since October 2009.

The **month-on-month** increase in 'food and non-alcoholic beverages' came particularly from the rise in prices of fruit and vegetables (7.3% and 4.0%, respectively). Prices of durable pastry went up by 5.3%, wheat flour by 4.4%, butcher products by 1.0%, sugar by 2.3%, chocolate and chocolate-based products by 4.6%. Cheese prices continued to rise by 1.3%, yoghurts by 5.3%, other milk products by 1.5%. In 'alcoholic beverages and tobacco', prices of spirits and beer increased (5.4% and 2.5%, respectively). In 'transport', fuel prices rose by 0.4%. In 'recreation and culture', prices of package holidays were higher by 4.3% in particular. The price increase in 'miscellaneous goods and services' was influenced by higher prices of personal care by 1.4%.

A contrary effect on the overall consumer price level in January owed to a drop in prices in 'housing, water, electricity, gas and other fuels', due to a fall in prices of electricity (-9.9%). The price reduction in 'health' was caused by an abolition of the regulatory fee for a stay in hospital. In 'clothing and footwear', prices of clothing and footwear were lower (-2.7% and -6.2%, respectively).

Prices of goods in total decreased (-0.1%), while prices of services went up (0.3%).

In terms of the **year-on-year** comparison, in January, the increase in consumer prices was 0.2%, i.e. 1.2 percentage points down compared with December 2013. A slowdown in the price growth occurred at varying degrees in the majority of the consumer basket divisions. In 'housing, water, electricity, gas and other fuels' and 'health', there was even a price drop. In 'housing, water, electricity, gas and other fuels', electricity prices were lower by 10.5%, y-o-y (a growth of 2.7% in December) and a drop in the natural gas prices deepened to 9.1% (-7.0% in December). In 'health', prices in January decreased by 3.8% (a growth of 0.4% in December) due to the abolition of the regulatory fee for a stay in hospital. A slowdown in the price rise occurred in 'food and non-alcoholic beverages' as well due to the lower m-o-m price growth in January 2014 compared with January 2013. The y-o-y rise slowed down primarily in prices of milk to 10.9% (17.1 in December), butter to 12.5% (14.9% in December), edible oils to 2.0% (3.6% in December). Prices of vegetables rose by 17.6% (22.4% in December), of which prices of potatoes by 43.1% (67.9% in December). In bread and cereals, prices moved from a growth of 0.9% in December to a decline (-0.3% in January).

The biggest upward effect on the y-o-y consumer price level came from prices in 'food and non-alcoholic beverages'. Another more significant impact on the overall level of consumer prices came from prices in 'alcoholic beverages and tobacco', where prices of tobacco products went up by 5.1% and prices of alcoholic beverages by 2.5%.

The reduction of the y-o-y price growth came for the first time since the establishment of the independent Czech Republic from the prices in 'housing, water, electricity, gas and other fuels'. A drop in prices continued in 'communication', where prices of telephone and telefax services and prices of mobile phones were lower (-10.1% and -15.2%, respectively). In 'furnishings, household equipment and routine household maintenance', the decrease in prices was influenced primarily by lower prices of household appliances (-3.8%).

Prices of goods in total increased by 0.4% and prices of services declined (-0.1%). The overall consumer price index excluding imputed rentals was 100.2%, year-on-year.

Inflation rate, i.e. the increase in the average consumer price index in the twelve months to January 2014 compared with the average CPI in the previous twelve months, stood at 1.3% in January.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices (HICP)**¹⁾ in the **EU28 member states** was 1.0% in **December** (the same as in November). Prices grew most in the United Kingdom, Austria and Estonia (all 2.0%). On the other hand, a year-on-year price drop occurred in Greece (-1.8%), Cyprus (-1.3%), Bulgaria (-0.9%), and Latvia (-0.4%) in **December**. In Germany, the price rise slowed down to 1.2% (1.6% in November). In Slovakia, the price increase slowed down further to 0.4% in December (0.5% in November). According to preliminary calculations, the HICP in the Czech Republic in **January 2014** rose by 0.1%, **month-on-month**, and by 0.3% (1.5% in December), **year-on-year**. The MUICP (Monetary Union Index of Consumer Prices) flash estimate for the **Eurozone** in **January 2014** amounted to 0.7%, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#)).

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Starting from January 2014, the consumer price indices are calculated with updated weights, which are derived from the household expenditures in 2012. The new calculated indices are chained at all levels of the consumer basket with the original 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) is ensured.

A new consumer basket is available on the CZSO web pages: [consumer basket](#)

¹⁾ So far, imputed rentals have been excluded from the HICP