

ANALYSIS

9 July 2014

Consumer price indices in Q2 2014

The total consumer price level increased by 0.2% in Q2 2014 compared with Q1 2014. Consumer prices rose by 0.2% in Q2 2014, year-on-year, which was the same as in Q1.

The **quarter-on-quarter** (q-o-q) price level increase was only 0.2%, but the price changes of individual sections of the consumer basket were different and fluctuated in the range of -1.0% to +5.0%. The biggest growth of prices was in 'clothing and footwear' due to higher prices of new summer models. In 'restaurants and hotels', an opening of the summer season resulted in an increase in the prices of accommodation services by 2.1%. A more significant price increase occurred in 'health', where amounts paid by patients for pharmaceutical products were 2.0% up. Lower prices in Q2 2014 compared with Q1 2014 were primarily for 'food and non-alcoholic beverages'. This drop was due mainly to lower prices of fruit and vegetables (-4.6% and -5.3%, respectively) and to a moderate decrease in prices of much other food. This applied especially to pork, eggs, cheese, yoghurts, butter, sugar, cocoa and coffee. In 'alcoholic beverages and tobacco', prices went down due to lower prices of alcoholic beverages (-1.1%). In 'communication', the drop continued in prices of mobile phones and telephone and telefax services.

Consumer price indices (the previous quarter = 100)

DIVISION	2013			2014	
	Q2	Q3	Q4	Q1	Q2
TOTAL	100.2	99.7	99.9	100.4	100.2
Food and non-alcoholic beverages	101.4	98.9	100.1	103.6	99.0
Alcoholic beverages and tobacco	100.8	100.5	101.1	101.6	99.5
Clothing and footwear	104.3	98.0	104.7	95.7	105.0
Housing, water, electricity, gas and other fuels	99.5	99.4	100.0	98.6	100.2
Furnishings, household equipment and routine household maintenance	99.7	99.2	99.4	100.4	100.3
Health	100.4	100.1	99.3	96.9	101.8
Transport	99.9	100.5	99.2	100.6	100.1
Communication	94.9	96.9	98.8	99.6	99.4
Recreation and culture	99.6	102.1	98.0	100.8	99.7
Education	100.1	100.3	100.7	100.2	100.2
Restaurants and hotels	100.6	100.5	100.1	100.5	100.6
Miscellaneous goods and services	100.5	99.4	100.0	100.8	100.4

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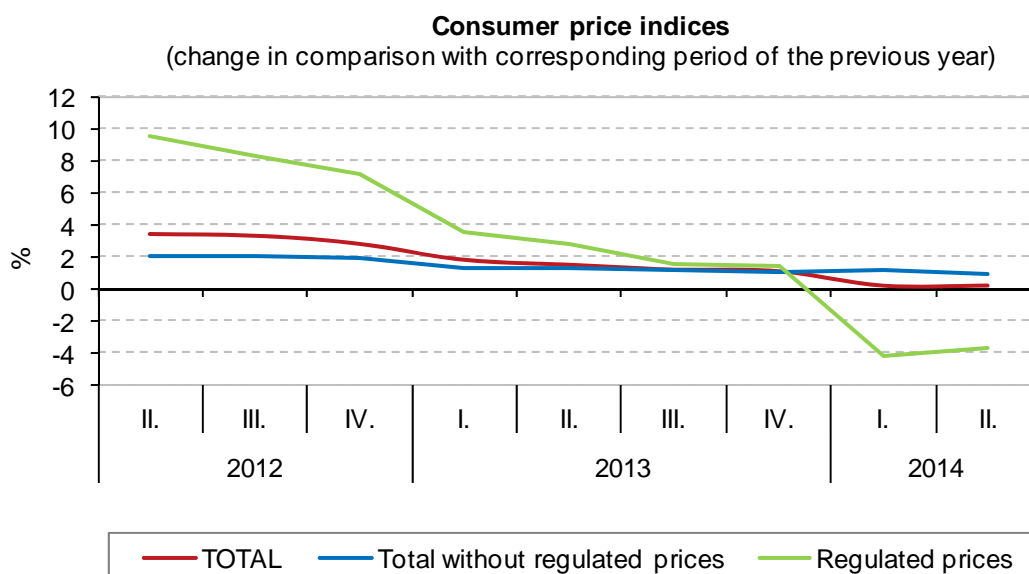
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Consumer prices rose by 0.2%, **year-on-year** (y-o-y), in Q2 2014 compared with Q2 2013, i.e. the same as in Q1 2014. In some divisions of the consumer basket, the y-o-y price movement was different in Q1 and Q2. The acceleration in the y-o-y growth of prices occurred especially in 'clothing and footwear'. On the other hand, in 'food and non-alcoholic beverages' and 'alcoholic beverages and tobacco', a slowdown in the y-o-y price rise was shown due to their different month-on-month (m-o-m) price decrease in Q2 2014. In the following four divisions of the consumer basket - 'housing, water, electricity, gas and other fuels', 'furnishings, household equipment and routine household maintenance', 'health' and 'communication' – there was a slowdown in the price decline and thus a drop in their impact on the reduction in the price level.

The growth of market prices slowed down in Q2 2014 to 0.9% from 1.2% in Q1 and the decrease in regulated prices¹⁾ decelerated to -3.7% from -4.2% in Q1 2014.

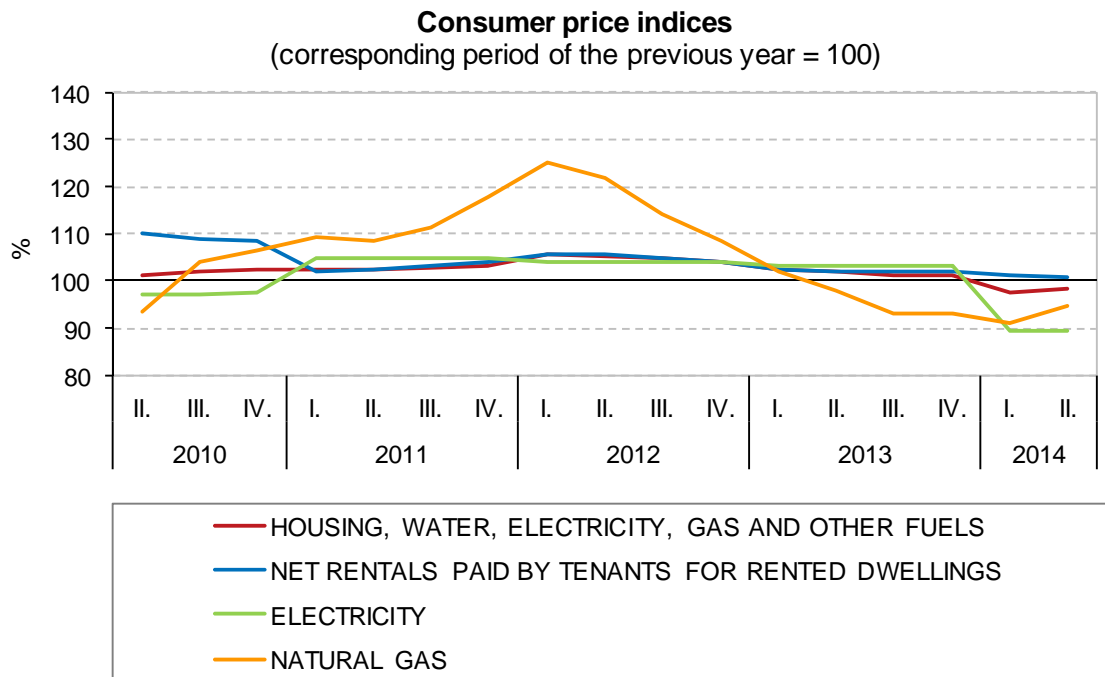


Decrease of regulated prices was caused primarily by the drop in prices in **'housing, water, electricity, gas and other fuels'** and **'health'**, which occurred due to a decrease in energy prices and the abolition of the regulatory fee for a stay in hospital since January 2014. The drop in prices of both divisions went slightly down in Q2. In 'housing, water, electricity, gas and other fuels', it was due to a slowdown in the drop in prices of natural gas since May. In 'health', amounts paid by patients for pharmaceutical products rose.

Influence of prices of items contained in 'housing, water, electricity, gas and other fuels' is illustrated by the overall consumer price index without housing, water, energy, fuels. Consumer prices in total went up by 0.2% in Q2 2014 (excluding items of housing it was by 0.9%).

¹⁾ Prices that are fully or partially regulated

ANALYSIS



In 'food and non-alcoholic beverages', a slowdown in the y-o-y price growth came from prices of fruit and vegetables, which turned from growth (2.3% and 11.0%, respectively) in Q1 to a drop (-1.2% and -10.0%, respectively) in Q2. The reason, in the case of vegetables was a significant change in prices of potatoes, which were by 28% higher in Q1, y-o-y, and by 25.6% lower in Q2 (due to their drop in June).

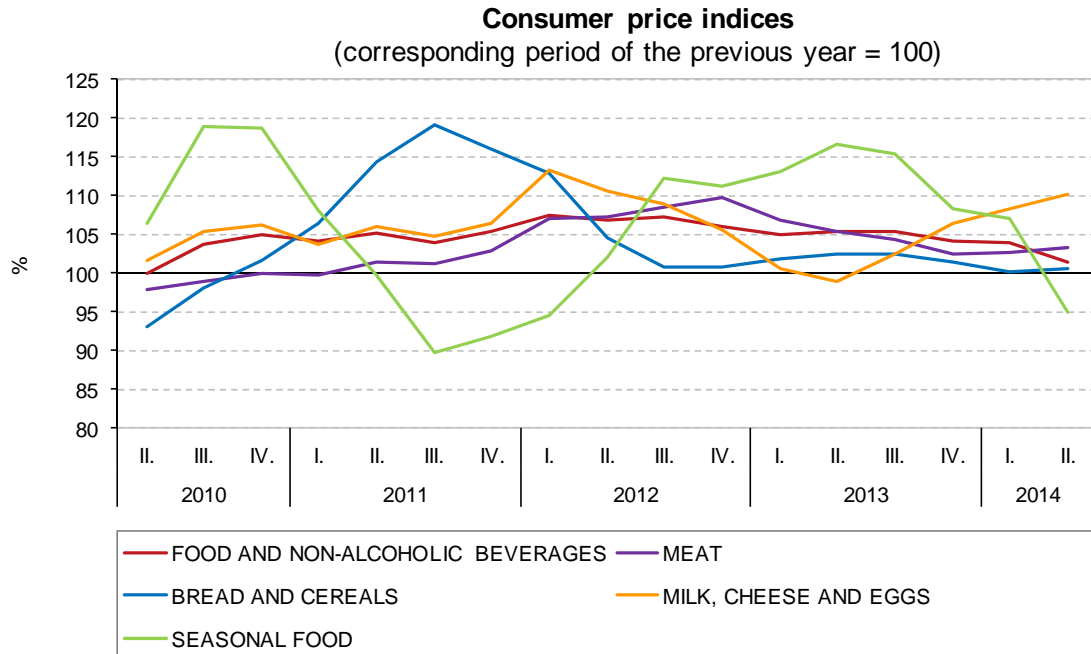
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A slowdown in the y-o-y price growth in '**alcoholic beverages and tobacco**' was influenced by prices of alcoholic beverages, which were higher by 0.9% in Q2 (+3.3% in Q1 2014).

In '**transport**', the y-o-y price growth rose moderately in Q2. It was due mainly to fuel prices, which went up by 1.0% (0.3% in Q1) due to their increase in May and June. The development of fuel consumption prices in relation to the prices of industrial producers and the import prices of oil products is shown in the following chart.

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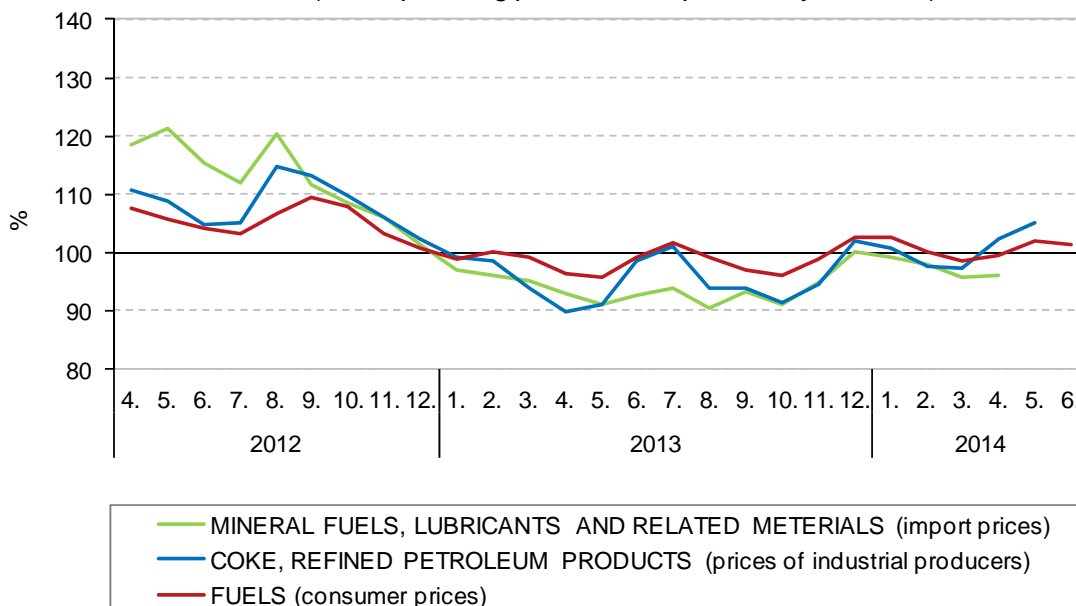
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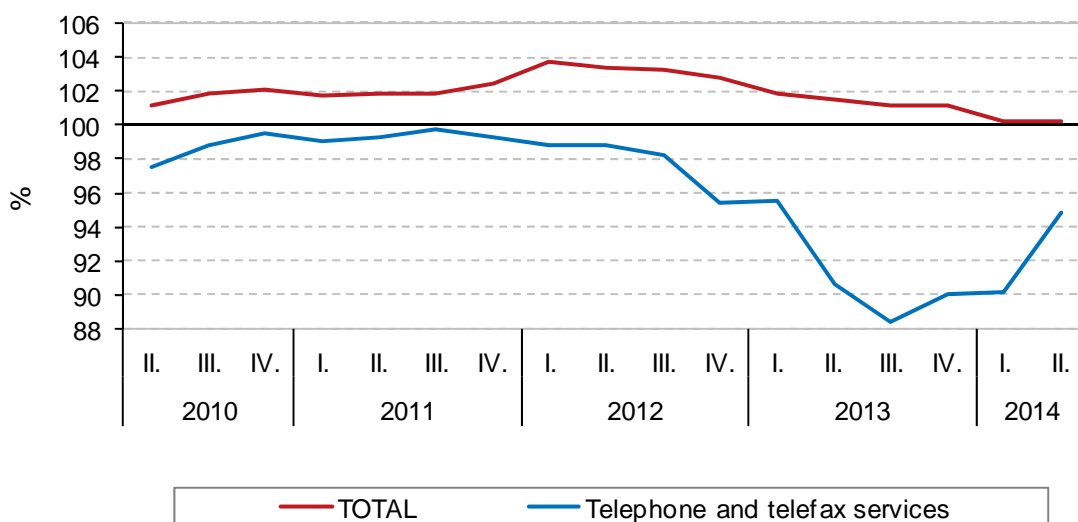
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Price indices of petroleum products
(corresponding period of the previous year =100)



In 'communication', a decline in prices of the telephone and telefax services slowed down to 5.2%.

Consumer price indices
(corresponding period of the previous year = 100)



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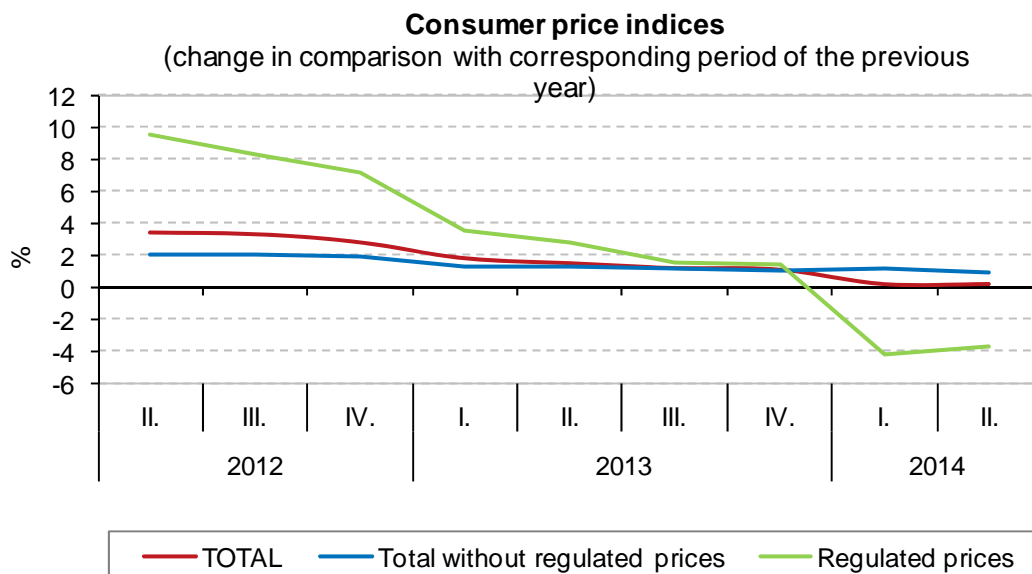
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Prices of **goods in total** turned from growth by 0.3% in Q1 into a 0.1% drop in Q2 2014; prices of **services** accelerated to 0.6% in Q2 2014 from the 0.0% growth.



Harmonized index of consumer prices in the EU28

According to Eurostat data, the y-o-y increase in the average harmonized index of consumer prices (HICP) in the EU28 was 0.8% **in April** and 0.6% **in May**. In the Czech Republic (CR), the y-o-y change of the HICP was 0.2% and 0.5%, respectively. According to preliminary data, the HICP growth in the CR amounted to 0.0% **in June**. It can be seen in the chart below that the gradual decrease in the y-o-y inflation occurred also in the EU. The HICP in the CR was higher y-o-y than the average HICP in the EU28 member states in 2012. The difference started to reduce in the last months of the year 2012 and these values converged in 2013. Nevertheless, in Q1 2014, the increase in the HICP in the CR recorded a more substantial drop than the rise in the HICP EU28.

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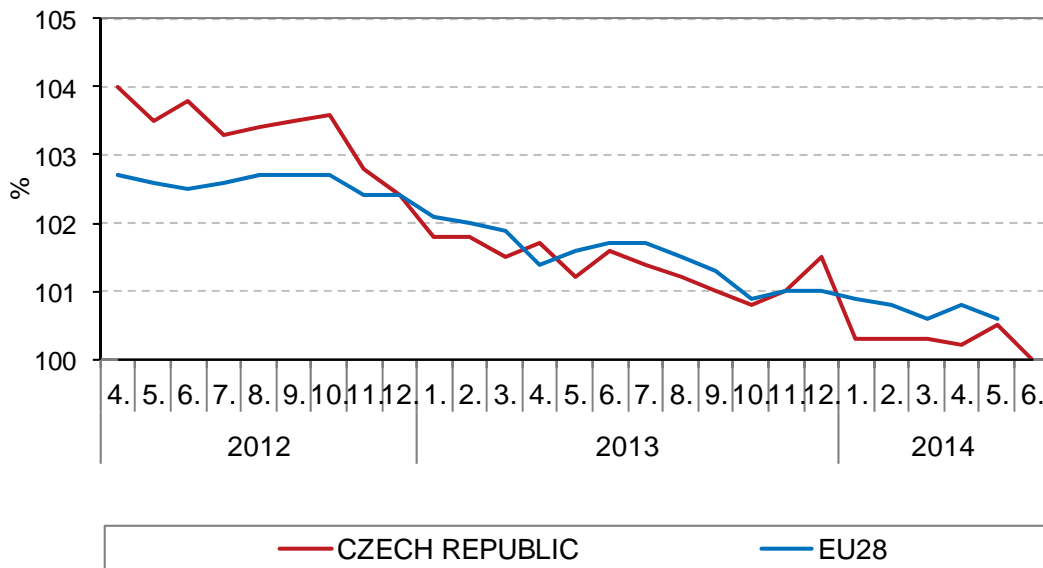
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Harmonized indices of consumer prices
(corresponding period of the previous year = 100)



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Consumer price indices in Q2 2014

COICOP	Division	Constant weights of 2012 (per mille)	2013			2014				
			Corresponding period of the previous year = 100							
			Q 2	Q 3	Q 4	Q 1	April	May	June	Q 2
0	Total	1000.0	101.5	101.2	101.1	100.2	100.1	100.4	100.0	100.2
01	Food and non-alcoholic beverages	170.8	105.4	105.3	104.1	103.9	103.3	102.5	98.9	101.5
01.11	<i>Bread and cereals</i>	27.2	102.5	102.4	101.4	100.2	100.0	101.3	100.6	100.6
01.12	<i>Meat</i>	40.6	105.4	104.3	102.5	102.6	103.4	103.5	102.9	103.3
02	Alcoholic beverages and tobacco	95.0	104.2	103.4	103.2	104.1	102.1	103.4	103.1	102.9
03	Clothing and footwear	32.9	97.9	100.3	101.3	102.3	103.0	103.1	103.0	103.1
04	Housing, water, electricity, gas and other fuels	265.6	102.0	101.2	101.2	97.6	97.8	98.5	98.6	98.3
04.111	<i>Net rentals paid in rented dwellings</i>	36.2	102.1	102.2	102.1	101.1	101.1	100.7	100.9	100.9
04.511	<i>Electricity</i>	47.4	103.3	103.3	103.1	89.5	89.5	89.5	89.5	89.5
04.521	<i>Natural gas</i>	29.3	97.9	93.1	93.1	90.9	90.9	96.9	96.9	94.8
05	Furnishings, household equipment and routine household maintenance	61.1	99.2	99.2	98.4	98.7	98.9	99.3	99.7	99.3
06	Health	23.8	103.6	101.8	100.9	96.7	97.6	98.0	98.3	98.0
07	Transport	101.3	98.8	99.6	99.8	100.1	99.9	100.6	100.6	100.3
07.221	<i>Automotive fuels</i>	36.1	97.1	99.3	99.1	100.3	99.6	101.9	101.4	101.0
08	Communication	30.6	90.5	88.6	90.2	90.4	92.3	95.1	97.1	94.8
09	Recreation and culture	87.6	99.9	100.4	101.0	100.5	100.7	100.5	100.5	100.6
09.60	<i>Package holidays</i>	19.1	102.5	104.0	105.2	103.8	104.9	104.1	103.6	104.2
10	Education	7.4	101.5	101.4	101.1	101.3	101.3	101.3	101.4	101.4
11	Restaurants and hotels	55.6	101.9	102.0	101.8	101.6	101.7	101.7	101.6	101.7
12	Miscellaneous goods and services	68.3	102.1	101.5	100.9	100.7	100.2	100.4	101.1	100.6

Elaborated by Consumer Prices Statistics Unit of the CZSO

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