

ANALYSIS

9 April 2015

Consumer price indices in Q1 2015

The total consumer price level increased by 0.1% in Q1 2015 compared with Q4 2014. Consumer prices rose by 0.1% in Q1 2015, year-on-year, which was 0.4 percentage point down on Q4 2014.

The **quarter-on-quarter** (q-o-q) development of consumer prices in Q1 was influenced by a price increase in 'alcoholic beverages and tobacco', 'recreation and culture', which was almost offset by a drop in prices in 'clothing and footwear', 'health', 'transport'. In December 2014, the Excise Duty Act was amended, the impact of which was recorded during Q1 2015. Prices of tobacco products rose, q-o-q, by 4.1%. In 'recreation and culture', prices of package holidays went up by 6.6% due to the upcoming winter season. A slight growth of prices in 'food and non-alcoholic beverages' came especially from higher prices of some kinds of fruit and vegetables. A decrease in prices in 'transport' was caused by a price reduction in fuel prices (-12.9%), which started in November and December 2014 and the m-o-m decrease of prices continued also in January and February 2015. In 'health', the drop in prices came from the abolition of the regulatory fees for a doctor's visit and in the dispensing of prescription medicines. In 'clothing and footwear', prices of garments and shoes and other footwear went down (-3.1% and -5.5%, respectively) due to sales in particular.

Consumer price indices (the previous quarter = 100)

DIVISION	2014				2015
	Q1	Q2	Q3	Q4	Q1
TOTAL	100.4	100.2	100.1	99.8	100.1
Food and non-alcoholic beverages	103.6	99.0	98.7	99.8	100.8
Alcoholic beverages and tobacco	101.6	99.5	100.5	99.9	103.6
Clothing and footwear	95.7	105.0	98.1	105.0	96.6
Housing, water, electricity, gas and other fuels	98.6	100.2	100.4	100.1	100.4
Furnishings, household equipment and routine household maintenance	100.4	100.3	99.4	99.8	100.5
Health	96.9	101.8	100.9	100.1	90.9
Transport	100.6	100.1	100.8	98.6	95.6
Communication	99.6	99.4	98.8	99.5	100.2
Recreation and culture	100.8	99.7	102.2	97.2	101.7
Education	100.2	100.2	100.4	100.5	100.2
Restaurants and hotels	100.5	100.6	100.5	100.1	100.4
Miscellaneous goods and services	100.8	100.4	100.7	100.3	100.9

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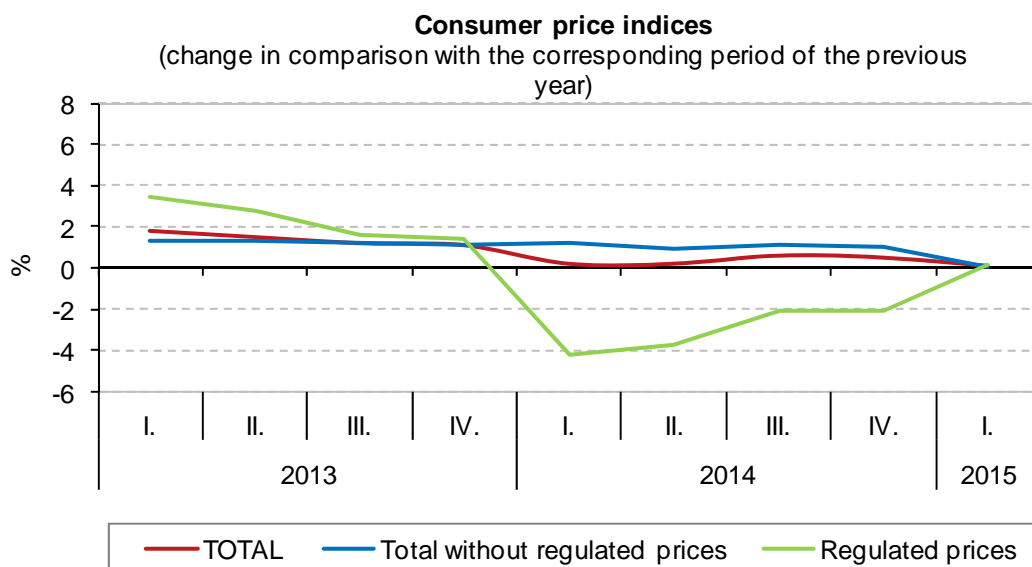
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Consumer prices rose by 0.1%, **year-on-year** (y-o-y), in Q1 2015, i.e. 0.4 percentage point down on Q4 2014. The deceleration in the y-o-y growth of prices was due to the turnover of prices in 'food and non-alcoholic beverages' from the rise to the drop and a price reduction in 'transport' and 'health'. The acceleration in the y-o-y price rise in 'alcoholic beverages and tobacco', 'clothing and footwear' and the turnover from a decline to the price increase in 'housing, water, electricity, gas and other fuels' and 'recreation and culture' worked in the opposite direction, i.e. contributed to the price level growth. Price changes in 'food and non-alcoholic beverages' and 'transport' were reflected in the decline of the index of market prices. The development of regulated prices was influenced primarily by household prices, predominantly energy prices.

The growth of market prices decelerated to 0.1% in Q1 2015 from 1.0% in Q4. Regulated prices rose by 0.2% (from a drop -2.1% in Q4).



In '**housing, water, electricity, gas and other fuels**', electricity prices in Q1 2015 and Q1 2014 were similar and the decline in electricity prices in Q1 substantially slowed down to 0.3% (from a fall -10.0% in Q4 2014). Natural gas prices were higher by 4.5% (2.4% in Q4 2014). Other items in the area of housing had a similar development in both quarters, y-o-y. Prices of water supply were higher by 3.4%, sewage collection by 2.8%, net actual rentals by 1.1%, heat by 0.9%.

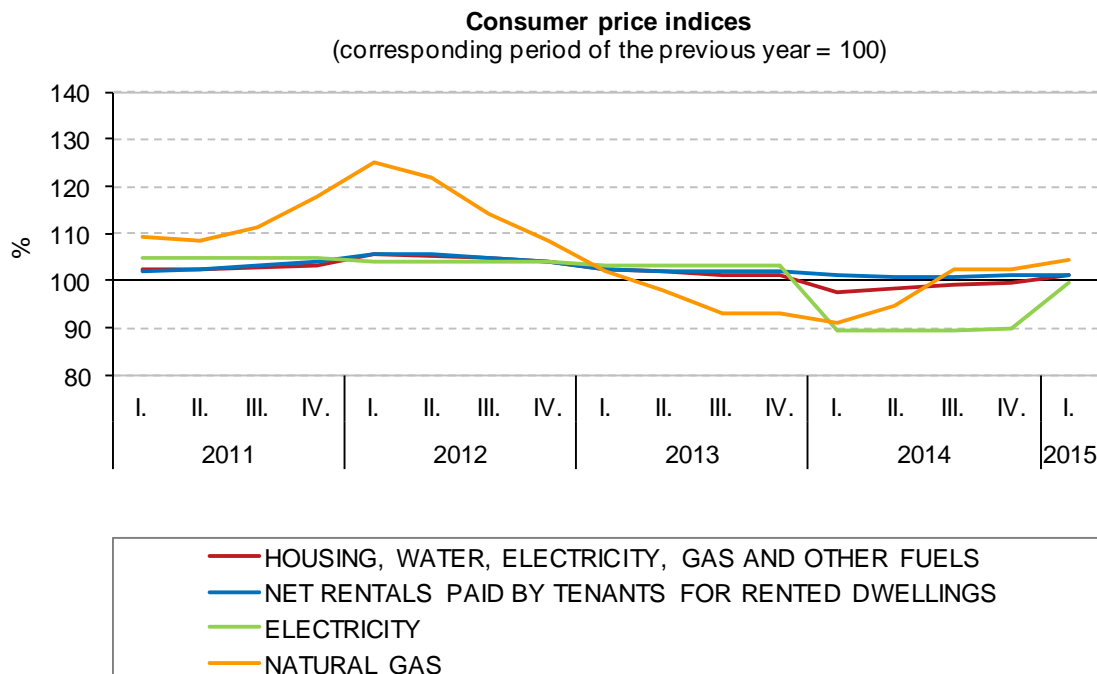
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In '**alcoholic beverages and tobacco**', the price growth of tobacco products accelerated to 5.5% from 1.8% in Q4 2014 due partly to cigarette excise tax increases and partly to the market.

The acceleration in the price rise occurred also in '**clothing and footwear**', where prices of clothing increased by 2.6% and footwear by 9.8%.

In '**recreation and culture**', the acceleration in the price growth was shown, which was caused by the increase in prices of package holidays by 5.4% (3.5% in Q4). The long-term fall deepened slightly in prices of equipment for the reception, recording and reproduction of sound and pictures (-11.4%).

The decrease in the price level came from '**food and non-alcoholic beverages**', which declined by 1.6% (increase by 1.2% in Q4). This development was influenced mainly by prices of fruit, which were lower by 6.4% (a rise by 4.1% in Q4 2014). A similar trend, i.e. turnover from growth to a decline was recorded in a different extent by prices in other main groups of food products (bread and cereals, meat, milk, cheese, yoghurts). The drop in prices of vegetables deepened due to prices of vegetables cultivated for their fruit, which were lower (-6.5% from a growth by 11.8% in Q4 2014). On the other hand, a decrease in prices of potatoes slowed down to -36.0% (from -44.5% in Q4 2014).

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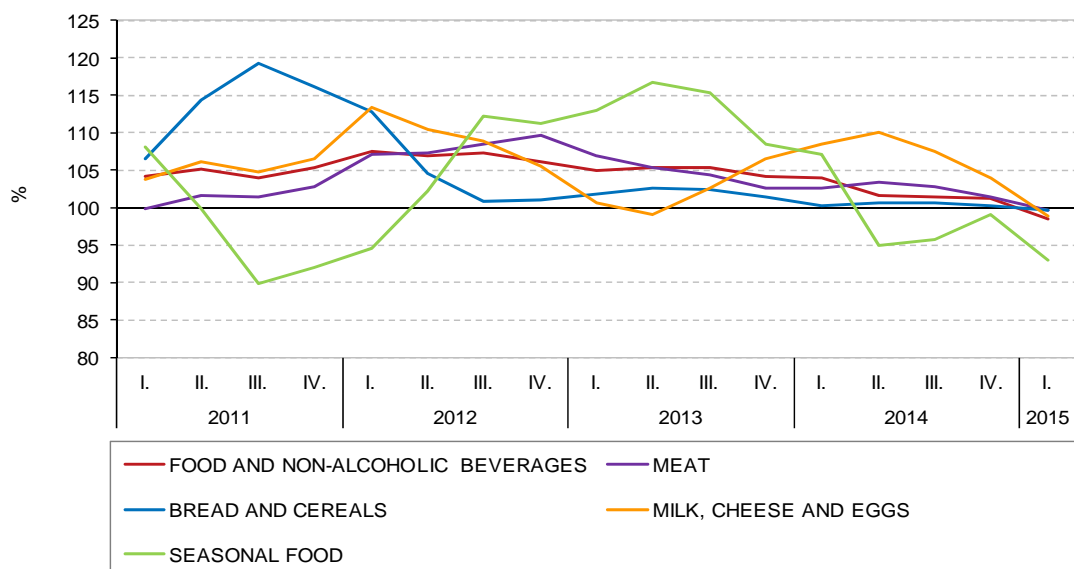
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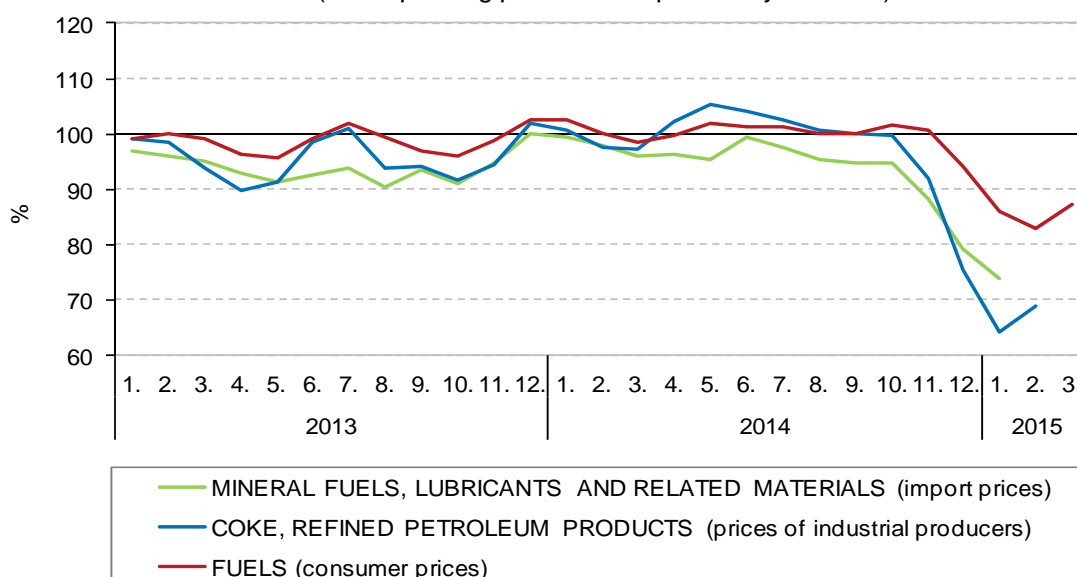
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Consumer price indices
(corresponding period of the previous year = 100)



In 'transport', the price development in Q1 was mainly due to the drop in fuel prices (-14.4%). Deeper y-o-y decrease was registered only six years ago in Q1 and Q2 2009. The m-o-m decline in fuel prices occurred already in the last months of 2014 and continued in January and February 2015. The trend reversed in March and fuel prices rose by 4.4%, m-o-m. The development of fuel consumer prices corresponds to the prices of industrial producers and the import prices of oil products as it is shown in the following chart.

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



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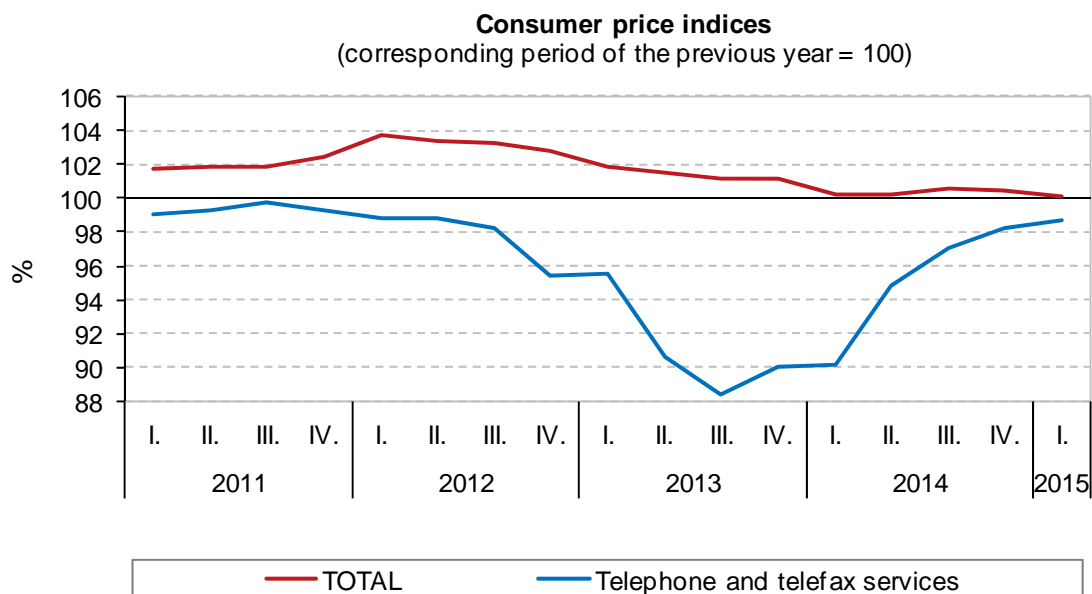
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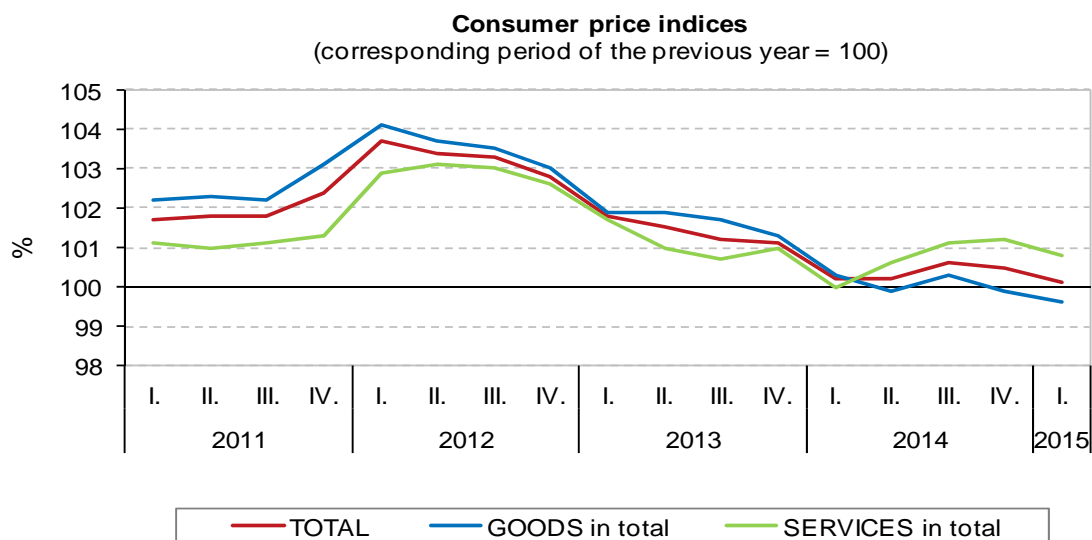
In **'health'**, the abolition of the regulatory fees for a doctor's visit and fees in the dispensing of prescription medicines since January 2015 occurred, which caused a price drop in this division (-6.6%).

In **'communication'**, the **trend to mitigate** the y-o-y decline in prices of telephone and telefax services, which started in mid 2013, continued. Prices of postal services were higher by 7.1%.



The **y-o-y drop** in prices continued at household appliances in 'furnishings, household equipment and routine household maintenance', albeit slightly slower.

Prices of **goods in total** declined (-0.4% from -0.1% in Q4 2014); prices of **services** rose by 0.8% (1.2% in Q4 2014).



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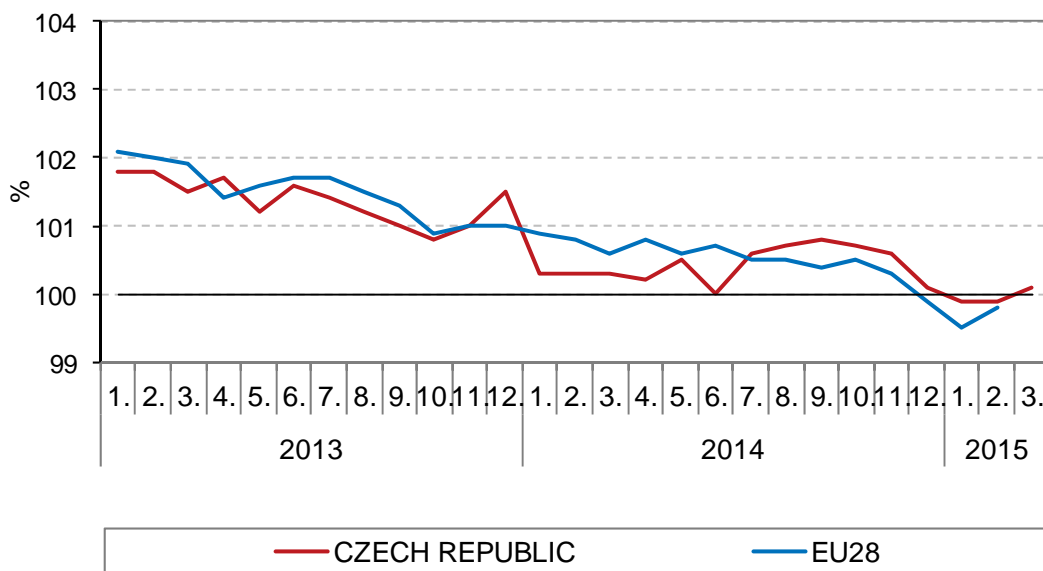
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Harmonized index of consumer prices in the EU28

According to Eurostat data, the y-o-y increase in the average harmonized index of consumer prices (HICP) in the EU28 was -0.5% in January and -0.2% in February. In the Czech Republic (CR), the y-o-y change of the HICP was -0.1% in both the months. According to preliminary data, the HICP in the CR rose by 0.1%, y-o-y, in March. It can be seen in the chart below that the gradual decrease in the y-o-y inflation occurred also in the EU. Year-on-year compared the HICP in the CR was often similar to the average HICP in the EU28 member states. Nevertheless, since the beginning of the year 2014, the increase in the HICP in the CR recorded a more substantial drop than the rise in the HICP in the EU28. This trend stopped, however, in mid 2014 and in the beginning of the year 2015.

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



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COICOP	Division	Constant weights of 2012 (per mille)	2014				2015			
			Corresponding period of the previous year = 100							
			Q 1	Q 2	Q 3	Q 4	January	February	March	Q 1
0	Total	1000.0	100.2	100.2	100.6	100.5	100.1	100.1	100.2	100.1
01	Food and non-alcoholic beverages	170.8	103.9	101.5	101.4	101.2	98.5	98.5	98.1	98.4
01.11	<i>Bread and cereals</i>	27.2	100.2	100.6	100.6	100.3	99.7	99.7	99.8	99.7
01.12	<i>Meat</i>	40.6	102.6	103.3	102.8	101.3	100.0	99.8	98.9	99.6
02	Alcoholic beverages and tobacco	95.0	104.1	102.9	102.7	101.4	102.3	103.7	104.4	103.4
03	Clothing and footwear	32.9	102.3	103.1	103.2	103.6	104.5	104.2	104.7	104.5
04	Housing, water, electricity, gas and other fuels	265.6	97.6	98.3	99.3	99.4	101.2	101.2	101.1	101.1
04.111	<i>Net rentals paid in rented dwellings</i>	36.2	101.1	100.9	101.0	101.1	100.9	101.4	100.9	101.1
04.511	<i>Electricity</i>	47.4	89.5	89.5	89.6	90.0	99.7	99.7	99.7	99.7
04.521	<i>Natural gas</i>	29.3	90.9	94.8	102.4	102.4	104.5	104.5	104.5	104.5
05	Furnishings, household equipment and routine household maintenance	61.1	98.7	99.3	99.5	99.9	100.1	99.9	99.8	99.9
06	Health	23.8	96.7	98.0	98.8	99.5	93.8	93.3	93.0	93.4
07	Transport	101.3	100.1	100.3	100.5	100.0	95.4	94.2	95.8	95.1
07.221	<i>Automotive fuels</i>	36.1	100.3	101.0	100.5	98.8	86.1	82.9	87.3	85.4
08	Communication	30.6	90.4	94.8	96.6	97.4	97.9	97.9	97.9	97.9
09	Recreation and culture	87.6	100.5	100.6	100.7	99.9	100.8	100.8	100.8	100.8
09.60	<i>Package holidays</i>	19.1	103.8	104.2	104.0	103.5	105.4	105.9	105.0	105.4
10	Education	7.4	101.3	101.4	101.4	101.3	101.4	101.1	101.1	101.2
11	Restaurants and hotels	55.6	101.6	101.7	101.7	101.7	101.8	101.6	101.6	101.7
12	Miscellaneous goods and services	68.3	100.7	100.6	101.8	102.2	102.2	102.9	102.2	102.4

Elaborated by Consumer Prices Statistics Unit of the CZSO

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