

## Average inflation rate stood at 6.3 % in 2008

### Consumer price indices – December 2008

The total consumer price level in December decreased compared with November by 0.3 %. A downward effect on the consumer price level, month-on-month, came mainly from the price fall in 'transport'. The year-on-year consumer price growth decelerated to 3.6 % in December (from 4.4 % in November). The average year-on-year inflation rate amounted to 6.3 % in 2008.

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The **month-on-month** consumer price decrease by 0.3% owed to a price drop in automotive fuel, which continued and was even more noticeable compared with November reaching 10.5 %. The price of petrol Natural 95 was the lowest since March 2002 and stood at 23.85 CZK per litre on average. The average price of diesel oil (26.07 CZK per litre) was lower in September 2004 for the last time. In 'food and non-alcoholic beverages', lower were especially prices of flour, milk, butter, citrus fruit and sugar (by 6.7 %, 1.7 %, 2.7 %, 8.6 % and 1.9 %, respectively). In 'health', prices of medicaments dropped by 0.5 %.

An upward effect on the consumer price level came from a price increase in heat and hot water by 1.5 % in 'housing, water, electricity, gas and other fuels'. Prices of tobacco products increased by 0.5 %. In transport services, the prices of passenger transport by rail rose by 3.4 %. In food, price increases were recorded especially for bread (1.9 %), rolls and baguettes (1.7 %), stone fruit and berry plants (19.0 %) and vegetables grown for fruit (17.0 %).

Prices of goods in total decreased by 0.5 %, while prices of services increased by 0.1 %.

In terms of the **year-on-year** comparison, in December, the increase in consumer prices was 3.6 %, i.e. 0.8 percentage point down on November. This was the smallest year-on-year price increase since September 2007. This development came primarily from prices in 'transport', in which the price drop of automotive fuel deepened from 12.1 % in November to 22.0 % in December. Prices of cars were lower by 12.2 %. In 'food and non-alcoholic beverages', a change was recorded for the price development, where a 0.9 % price growth in November turned to a 0.8 % drop. It was due to a marked increase in prices at the end of 2007.

A slowdown of the price growth or a deeper price drop was recorded for the majority of kinds of food. Prices of bread were lower year-on-year by 1.5 %, rolls and baguettes by 3.5 %, eggs by 16.6 %, milk by 8.5 %, cheese by 9.4 %, unsalted butter by 28.5 %, fruit by 16.7 %, vegetables including potatoes by 2.8 %. Prices of flour were higher by 8.0 % (by 18.2 % in November), edible oils by 7.0 %, vegetable fats by 16.0 %, chocolate and chocolate products by 3.7 %, coffee by 6.5 %.

The year-on-year price growth came mainly from the development in 'housing, water, electricity, gas and other fuels', where prices of natural gas rose by 33.9 %, electricity by 9.5 %, heat and hot water by 14.4 % and solid fuels by 13.8 %. Net actual rentals rose by 15.1 %, of which for dwellings with regulated rentals by 22.2 %, while for dwellings with market rentals by 4.2 %. Prices of tobacco products increased by 14.5 %.

Compared with 2007, prices of clothing were lower by 1.2 %, devices and household appliances by 1.9 % and prices of audio-visual and photographic equipment and data-processing equipment by 12.8 %. In 'communications', prices of mobile phones decreased and so did prices of telephone and telefax services.

Prices of goods in total grew by 1.3 % and prices of services by 7.7 %. The overall consumer price index excluding imputed rentals was higher by 3.5 %, year-on-year.

**Average inflation rate**, i.e. the increase in the average consumer price index in the twelve months to December 2008 compared with the average CPI in the previous twelve months, stood at 6.3 % in December, which is a markedly higher inflation rate compared with 2007 (2.8 %). It was the highest average annual inflation rate over the last ten years when in 1998 it reached

more than 10%. This development was influenced by many factors, including especially a considerable increase in food prices, higher VAT rate from 5 % to 9 % for some goods and services, higher excise tax on tobacco products, higher prices of energy, regulated rentals and an introduction of regulated fees in health.

According to preliminary data of Eurostat, the year-on-year increase in the average **harmonized index of consumer prices** (HICP) in the **EU 27 member states** was 2.8 % in **November** (0.9 p.p. down on October). The highest annual rates were observed in Latvia (11.6 %) and Lithuania (9.2 %). The lowest rates were recorded in Portugal and Germany (1.4 % identically). The growth of consumer prices in Slovakia slowed down to 3.9 % in November (4.2 % in October).

According to preliminary calculations, the HICP in the **Czech Republic in December 2008** decreased by 0.3 %, **month-on-month**, and decelerated to 3.3 % (4.1 % in November), **year-on-year**. The **MUICP** (Monetary Union Index of Consumer Prices) flash estimate for **the Eurozone in December 2008** was 1.6 %, y-o-y, as Eurostat announced (more information at the Eurostat's web pages: [HICP](#)).

In December 2008, in comparison to November 2008, consumer prices dropped by 0.1 % in **households of pensioners** and by 0.4 % in **households of employees**. Both types of households recorded a lower consumer price index for 'transport': households of pensioners by 3.8 % and households of employees by 3.3 %. The decrease was affected particularly by lower prices of automotive fuel and new cars. Lower index was registered for 'communications' (0.2 % for pensioners and 0.8 % for employees) due to lower prices of telecommunication services and mobile phones. On the other hand, a higher index was recorded for 'housing, water, electricity, gas and other fuels' (0.3 % for pensioners, 0.3% for employees as well) primarily due to higher prices of heat and hot water.

**In the capital city of Prague**, the overall consumer price index (cost of living) decreased by 0.3 % month-on-month (0.3 % in the whole Czech Republic too). The consumer price index for 'transport' dropped by 2.9 % (3.4 % in the Czech Republic) due to lower prices of automotive fuel and new cars. Prague registered a lower index for 'communications' by 0.9 % (0.6 % in the Czech Republic) particularly due to price decreases in telecommunication services and mobile phones. The consumer price index for 'health' dropped by 0.1 % (0.3 % in the Czech Republic), affected mainly by lower prices of medicaments and hospital services. On the other hand, a rise occurred in 'food and non-alcoholic beverages' by 0.6 % (0.1 % in the Czech Republic) as a result of higher prices of vegetables and rolls and baguettes.