

# AVERAGE INFLATION RATE WAS 0.7% IN 2016

## Consumer price indices – inflation – December 2016

Consumer prices in December increased compared with November by 0.3%. This development was primarily due to a rise in prices in 'food and non-alcoholic beverages', 'restaurants and hotels', 'transport'. The year-on-year growth of consumer prices amounted to 2.0%, i.e. 0.5 percentage points up on November. It is the highest year-on-year price growth since December 2012. The average inflation rate amounted to 0.7% in 2016, which was the highest value for the last three years.

The **month-on-month** rise in consumer prices in 'food and non-alcoholic beverages' came primarily from the increase in prices of vegetables by 10.6%, of which prices of vegetables cultivated for their fruit rose by 40.8%. Prices of rolls and baguettes were higher by 8.7%, bread by 4.0%, eggs by 3.5% and prices in the group of other milk products by 1.6%. In 'restaurants and hotels', prices of catering services rose by 2.4%, of which prices in restaurants and cafés by 3.0%. In 'transport', the rise in prices of automotive fuel continued for the fourth month and amounted to 2.2% in December. The average price of petrol Natural 95 (30.00 CZK per litre) was the highest since October 2015. The average price of diesel oil (29.40 CZK per litre) was the highest since November 2015. In 'recreation and culture', prices of recreational and cultural services went up by 0.6%.

A drop in the overall price level in December came primarily from a price decrease in 'alcoholic beverages and tobacco', where prices of spirits fell by 3.1%, prices of beer by 1.4% and prices of wine by 1.2%. In 'miscellaneous goods and services', prices of personal care went down by 0.6% and prices of financial services by 1.2%. In food, prices of citrus fruit were lower by 18.8%, poultry by 3.5%, yoghurts by 6.4% and non-alcoholic beverages by 1.6%.

Prices of goods in total went up by 0.2% and prices of services by 0.5%.

In terms of the **year-on-year** comparison, in December, the consumer prices increased by 2.0%, i.e. 0.5 percentage points up on November. The increase in the y-o-y price level occurred particularly in 'food and non-alcoholic beverages', where either the acceleration in the price rise or a turnover from the November decline to the growth for many kinds of food was recorded. Prices of rolls and baguettes were higher by 10.4% (1.5% in November), eggs by 13.7% (10.3% in November), fresh butter by 20.7% (16.6% in November). Prices of vegetables cultivated for their fruit were higher by 41.5% (a drop by 10.1% in November). In 'transport', prices of automotive fuel turned from a drop in November by 0.3% to a growth by 4.3%. The acceleration in the price rise in these two divisions came also from their month-on-month drop in December 2015. In 'restaurants and hotels', prices of catering services accelerated to 4.8% (2.5% in November) and accommodation services to 1.5% (0.6% in November).

The biggest influence on the growth of the y-o-y price level in December came from prices in 'food and non-alcoholic beverages' (an increase by 3.3%). Next in order of influence were prices in 'alcoholic beverages and tobacco', where prices of alcoholic beverages and tobacco products were higher (3.1% and 6.5%, respectively). The rise came also from prices in 'transport' and 'restaurants and hotels'. In 'housing, water, electricity, gas and other fuels', prices of the net actual rentals rose by 1.5%, water supply by 1.6%, sewage collection by 5.3%, electricity by 1.2%, heat and hot water by 1.1%. In 'health', prices of medicaments and fees paid by patients on prescription drugs rose by 2.7%. An influence on the increase in the price level came also from prices in 'miscellaneous goods and services', where prices of insurance and financial services were higher (2.5% and 1.2%, respectively).

A reduction in the price level came from the price decrease in 'furnishings, household equipment and routine household maintenance' (-1.2%). In 'housing, water, electricity, gas and other fuels', prices of natural gas went down by 6.9%.

Prices of goods in total went up by 1.9% (1.5% in November) and prices of services by 2.0% (1.7% in November). The overall consumer price index excluding imputed rentals was 102.0%, year-on-year.

The **average inflation rate** as measured by the increase in the average consumer price index in the twelve months 2016 compared with the average CPI in the twelve months 2015 was 0.7%, which was 0.4 percentage points more than in 2015.

According to preliminary data of Eurostat, the **year-on-year** change in the average **harmonized index of consumer prices** (HICP)<sup>1)</sup> in the **EU28 member states** amounted to 0.6% **in November**, i.e. 0.1 percentage point more than in October. Prices went up the most in Belgium (1.7%) and in the Czech Republic (1.6%). On the other hand, the decrease occurred in six EU countries, of which the largest in Bulgaria and Cyprus (both -0.8%). In Slovakia, prices went down by 0.2%. In Germany, prices increased by 0.7% in November (the same as in October). According to preliminary calculations, the HICP in the Czech Republic **in December** went up by 0.3%, **month-on-month**, and by 2.1%, **year-on-year**. The MUICP (Monetary Union Index of Consumer Prices) flash estimate for the **Eurozone in December 2016** was 1.1%, y-o-y, as Eurostat announced (more information on the Eurostat's web pages: [HICP](#).)

In December, in comparison with November, consumer prices in **households of pensioners** increased by 0.1%. In 'restaurants and hotels', the rise in prices occurred by 2.3%. Especially prices of restaurants, cafés and the like were higher. In 'transport', the consumer price index increased by 1.0%. It was primarily caused by automotive fuel prices. In 'food and non-alcoholic beverages', prices rose by 0.7%. It was due mainly to higher prices of vegetables. On the other hand, the decrease in prices by 1.1% occurred in 'alcoholic beverages and tobacco'. The drop was caused by lower prices of spirits, beer and wine. In 'clothing and footwear', the price decline was recorded by 0.5%. It was due to lower prices of garments and shoes and other footwear.

**In the capital city of Prague**, the overall consumer price index (cost of living) rose by 0.4%, month-on-month (0.3% in the whole Czech Republic). In 'restaurants and hotels', the consumer price index increased by 2.9% (2.2% in the Czech Republic). Prices of restaurants, cafés and the like went mainly up. In 'food and non-alcoholic beverages', Prague registered a higher price index by 1.2% (0.8% in the Czech Republic). Prices of vegetables went mainly up in this division. On the other hand, in 'clothing and footwear', the consumer price index went down by 0.9% (-0.5% in the Czech Republic). Lower prices of garments were especially collected. In 'alcoholic beverages and tobacco', consumer prices went down by 0.7% (-0.9% in the Czech Republic). The drop was recorded for spirits, beer and wine.

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The new index time series with the base year 2015 = 100 will be introduced since January 2017. The indices to other bases will be calculated from these time series (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). Indices calculated from existing index time series with the base year 2005 = 100 remain valid. The already published data will not be revised. The original time series with base year 2005 = 100 will be calculated and published, but other indices using these time series will no longer be derived.

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<sup>1)</sup> So far, imputed rentals have been excluded from the HICP