

ANALYSIS

10 January 2019

Consumer price indices in Q4 2018 and in the year 2018

The total consumer price level increased by 0.2% in Q4 2018 compared with Q3 2018. Consumer prices rose by 2.1% in Q4 2018, year-on-year, which was 0.3 percentage point down on Q3 2018.

The **quarter-on-quarter** (q-o-q) consumer price level development in Q4 2018 was influenced mainly by a price increase in 'housing, water, electricity, gas and other fuels', 'food and non-alcoholic beverages', and 'clothing and footwear'. In 'housing, water, electricity, gas and other fuels', prices of heat and hot water rose by 0.8% and both electricity and natural gas by 0.2%. Prices of actual rentals for housing went up by 0.5%. In 'food and non-alcoholic beverages', especially prices of vegetables were higher by 14.8%, of which prices of potatoes by 23.4%. Prices of cheese and curd were higher by 2.2%. In 'clothing and footwear', prices of garments increased by 2.7% and shoes and other footwear by 4.7%. A price increase continued in 'restaurants and hotels', where prices of catering services went up by 1.3%. What had an effect in the opposite direction, i.e. causing the drop in the price level was particularly the decrease in prices in 'recreation and culture', where prices of package holidays declined by 16.5%. In 'transport', prices of transport services went down by 6.7%, partly due to the newly introduced nationwide fare discounts in bus and rail transport. Prices of fuels and lubricants for personal transport equipment rose by 0.2%, while prices of motor cars dropped by 0.2%. The average month-on-month (m-o-m) increment of the overall consumer price index in Q4 2018 was 0.1% (0.0% in Q3 2018).

Consumer price indices (the previous quarter = 100)

DIVISION	2017	2018			
	Q4	Q1	Q2	Q3	Q4
TOTAL	100.5	100.7	100.7	100.6	100.2
Food and non-alcoholic beverages	101.7	100.4	99.5	99.0	100.7
Alcoholic beverages and tobacco	100.1	101.8	100.8	100.1	100.4
Clothing and footwear	103.4	95.8	103.1	96.6	103.0
Housing, water, electricity, gas and other fuels	100.5	100.8	100.8	101.1	101.0
Furnishings, household equipment and routine household maintenance	100.3	100.5	100.8	100.2	100.3
Health	99.8	101.0	101.8	100.9	99.8
Transport	101.0	101.0	101.6	100.8	99.2
Communication	99.2	99.8	99.8	99.7	99.9
Recreation and culture	97.3	101.9	99.3	103.8	95.7
Education	100.9	100.1	100.0	100.8	101.3
Restaurants and hotels	100.7	100.8	101.0	100.8	101.0
Miscellaneous goods and services	100.3	101.1	101.2	101.1	100.8

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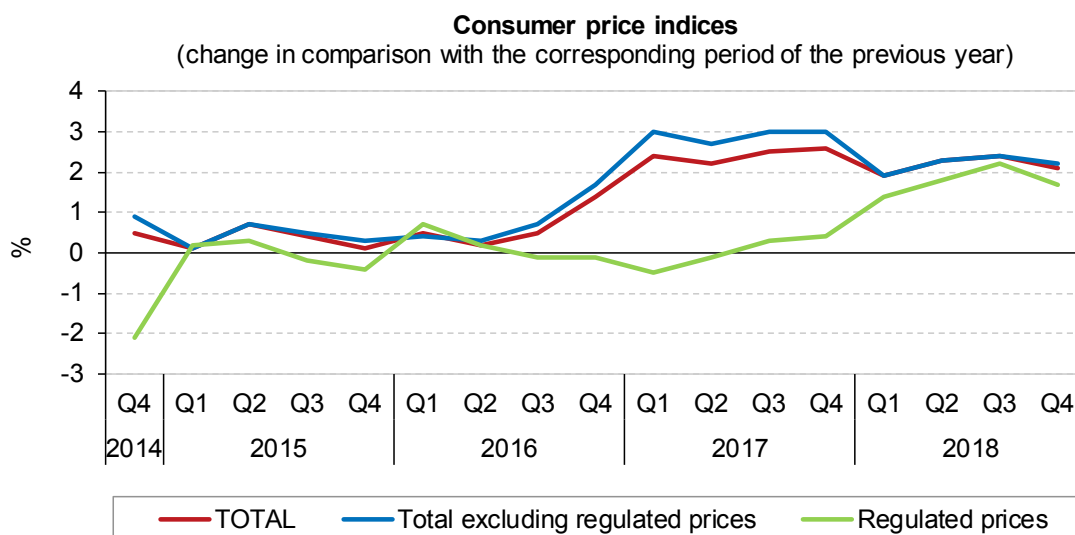
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Consumer prices rose by 2.1%, **year-on-year (y-o-y)**, in **Q4 2018 compared with Q4 2017**, i.e. 0.3 percentage points down on Q3. This development was due primarily to the shift from a price growth to the decline in 'food and non-alcoholic beverages', a slowdown in the price rise in 'transport', 'recreation and culture', and an acceleration of the price drop in 'clothing and footwear'. In addition, the higher price level was due to the price rise in 'housing, water, electricity, gas and other fuels', 'miscellaneous goods and services', and 'alcoholic beverages and tobacco'.

Changes in the price development in Q4 2018 caused a slowdown in the y-o-y growth of the market prices to 2.2% (2.4% in Q3 2018). The increase in regulated prices decelerated to 1.7% in Q4 2018 from 2.2% in Q3 2018.



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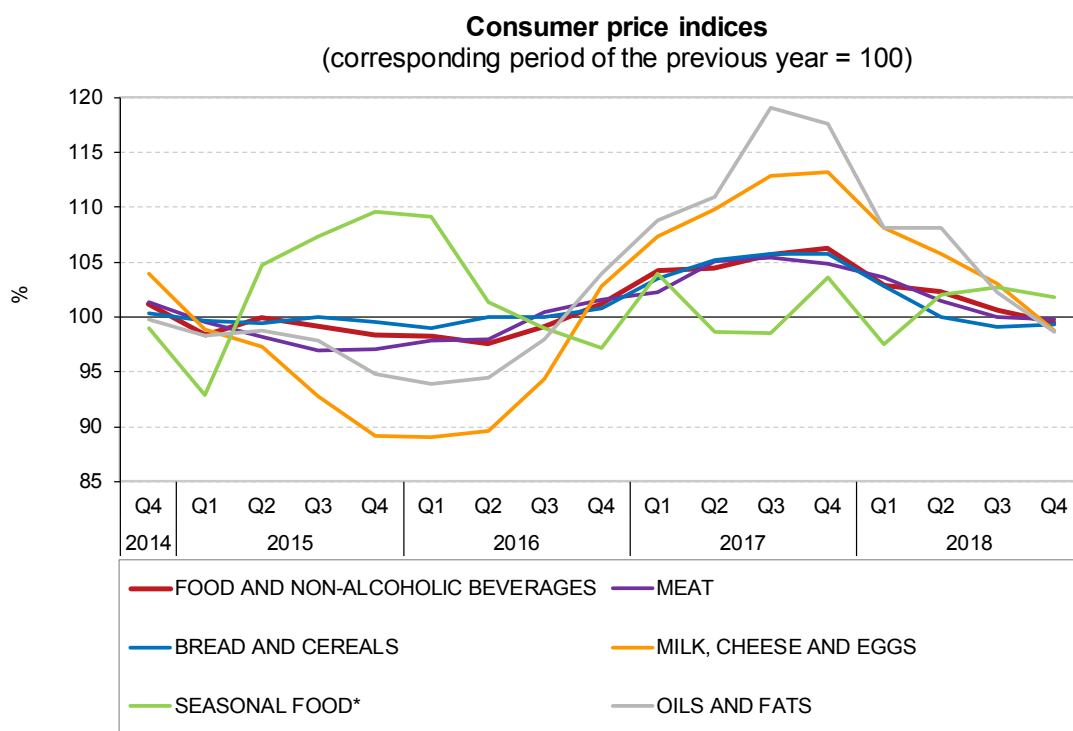
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The biggest influence on the decrease of the consumer price level came from prices in **'food and non-alcoholic beverages'**. Meat prices dropped by 0.2%, of which pork prices by 2.2%. Fish prices went down by 2.7%. Prices in the group of milk, cheese and eggs went down by 1.2%, y-o-y in Q4, of which prices of eggs decreased by 19.9% and UHT semi skimmed milk by 3.5%. Prices of oils and fats were lower by 1.4%, of which butter by 5.4%. Prices of sugar went down by 31.6% (a drop by 28.9% in Q3). Bread prices dropped by 2.4% and prices of flours and other cereals by 4.0%. Fruit prices went down by 8.0% (a growth by 5.9% in Q3). Prices of non-alcoholic beverages went down by 0.3%, of which prices of coffee by 2.2%. Prices of vegetables were higher by 11.9% (1.5% in Q3), of which potato prices went up by 25.0% (a drop by 6.4% in Q3).



*Seasonal food includes fish and seafood, fruit and vegetables.

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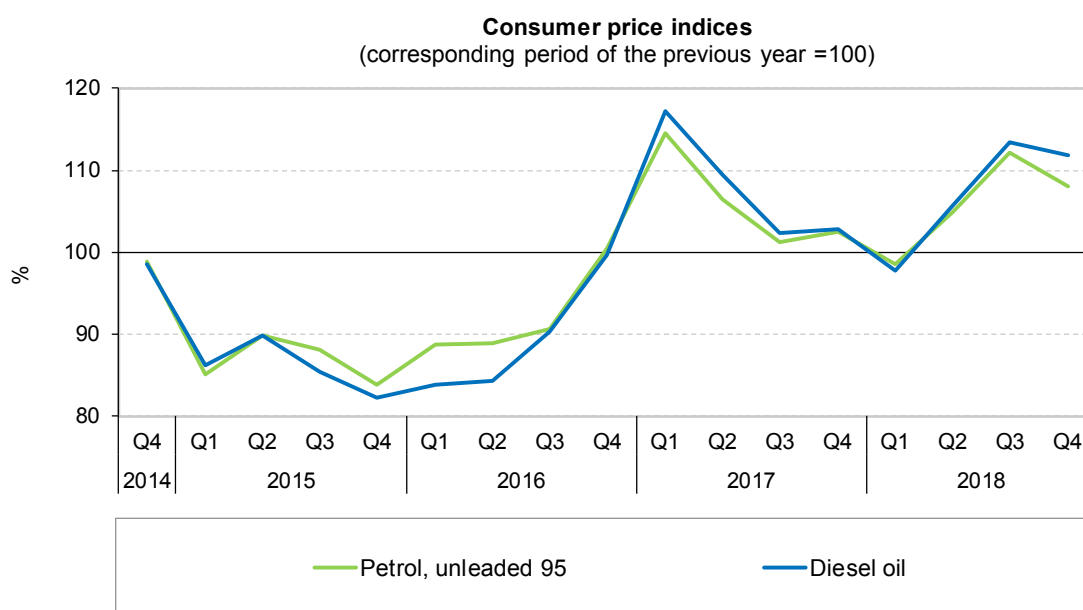
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In **'transport'**, prices of transport services dropped by 7.6% (a decline by 1.8% in Q3). Prices of fuels and lubricants for personal transport equipment rose by 9.5% (a growth by 12.3% in Q3). The price of unleaded petrol *Natural 95* amounted to CZK 31.80 in December and the price of diesel oil was CZK 32.45.



In **'recreation and culture'**, prices of package holidays rose by 3.2% (9.7% in Q3).

In **'clothing and footwear'**, prices of garments went down by 2.5% (-2.4% in Q3). Prices of shoes and other footwear rose by 1.2% (1.7% in Q3).

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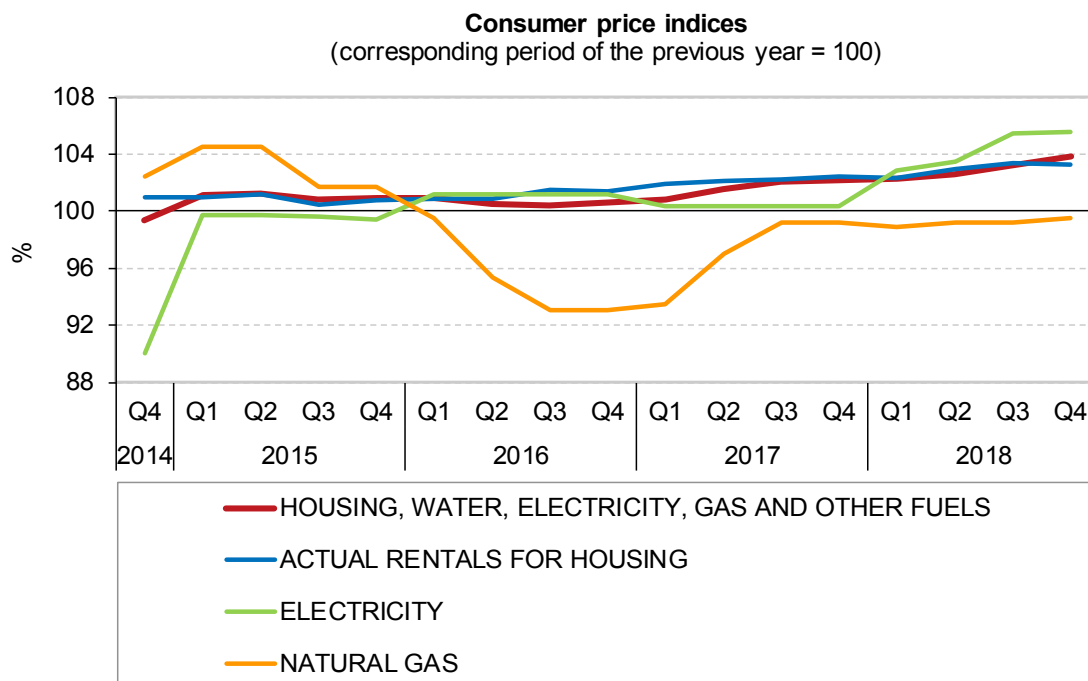
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In **'housing, water, electricity, gas and other fuels'**, prices increased by 3.8% in Q4 2018, year-on-year. Electricity prices were higher by 5.6% and natural gas prices went down by 0.5% (-0.8% in Q3). The actual rentals prices for housing rose by 3.3%, charges for water supply by 1.8%, sewage collection by 1.3%. Prices of heat and hot water went up by 0.7%.



In **'miscellaneous goods and services'**, prices of financial services increased by 4.3%. Prices of personal care rose by 4.1% (3.5% in Q3).

In **'alcoholic beverages and tobacco'**, prices of tobacco products went up by 3.8% (3.5% in Q3). Prices of spirits and beer rose (2.3% and 4.2%, respectively). Prices of wine went down by 1.0%.

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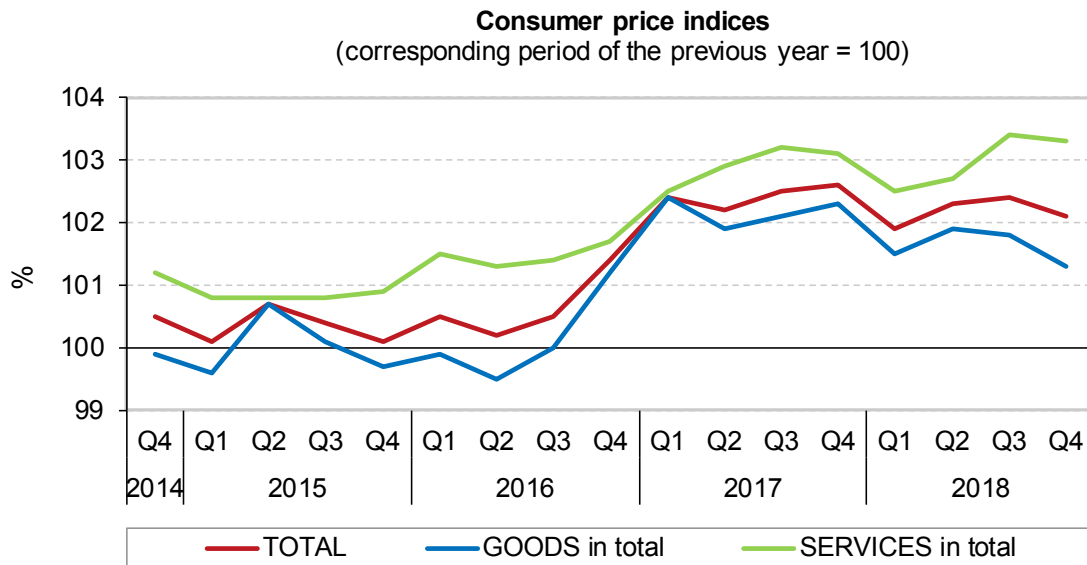
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The aforementioned movements in consumer prices were reflected in a growth of prices of **goods in total** and **services** (1.3% and 3.3%, respectively).



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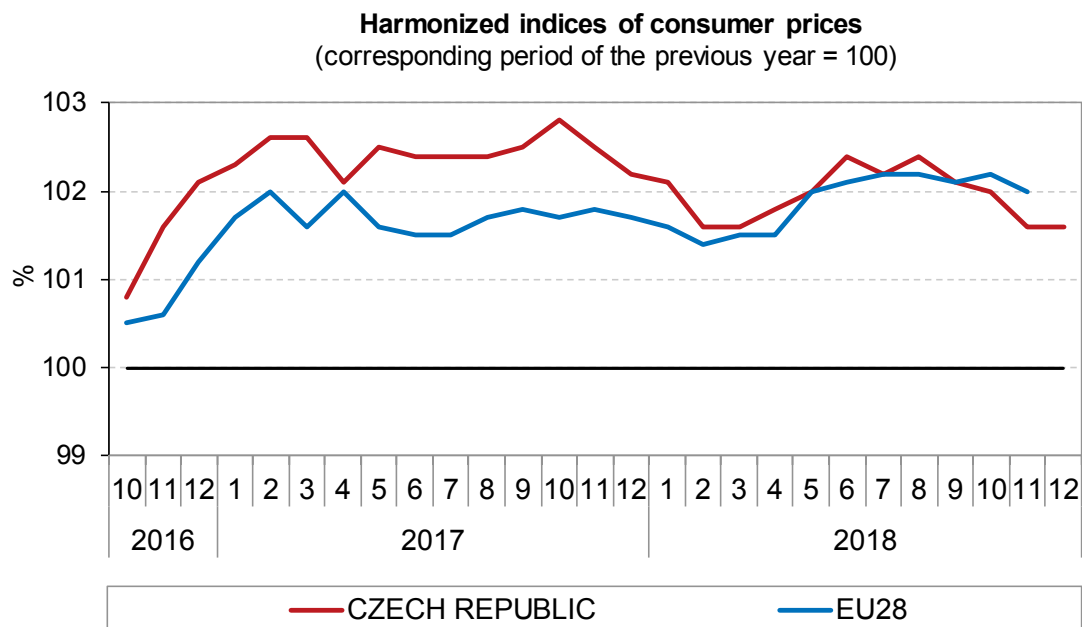
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Harmonized index of consumer prices in the EU28

According to Eurostat data, the y-o-y change of the average harmonized index of consumer prices (HICP) in the EU28 was 2.2% in October and 2.0% in November. In the Czech Republic (CR), the y-o-y increase in the HICP was 2.0% in October and 1.6% in November. According to preliminary data, the HICP in the CR rose by 1.6%, y-o-y, in December. It can be seen in the chart below that the inflation development in the CR and in the EU was similar. For the most of the period under review, the HICP in the CR was higher than the same indicator in the EU, however, its values in the CR since October were below the EU level for the first time since June 2016. In November, the y-o-y HICP increase in all EU Member States was positive. The values ranged from 0.7% (Denmark) to 3.2% (Estonia, Hungary, and Romania).



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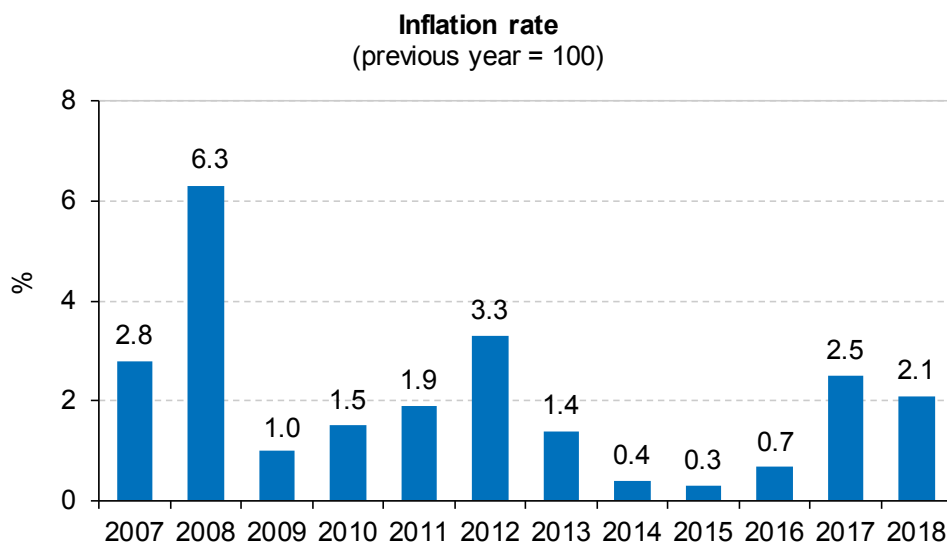
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Development of the consumer price index in 2018

The **average inflation rate in 2018** reached 2.1%, which was by 0.4 percentage points less than in 2017. The lowest y-o-y growth was recorded for consumer prices in Q1 2018 (1.9%), a moderately faster price growth was in other quarters (2.3% in Q2, 2.4% in Q3, 2.1% in Q4). The inflation development in 2018 was influenced primarily by the price rise in 'housing, water, electricity, gas and other fuels'. Prices of fuels and lubricants for personal transport equipment in 'transport' were higher as well as prices in 'food and non-alcoholic beverages' and 'alcoholic beverages and tobacco'. The inflation growth was caused also by the rise in prices in 'restaurants and hotels' and 'miscellaneous goods and services'.

The development of prices in 'clothing and footwear' had an influence in the opposite direction, i.e. on the price level reduction.

The price development in the individual divisions of the consumer basket was reflected in the increase in prices of services by 3.0%, while prices of goods in total rose by 1.6%.



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The influence of individual divisions of the consumer basket on the overall price level in 2018 is illustrated in the breakdown of the total increase of the consumer price index.

Breakdown of the y-o-y change of the consumer price index in 2018 in percentage points

DIVISION	
TOTAL	2.1
Food and non-alcoholic beverages	0.3
Alcoholic beverages and tobacco	0.3
Clothing and footwear	-0.1
Housing, water, electricity, gas and other fuels	0.7
Furnishings, household equipment and routine household maintenance	0.1
Health	0.1
Transport	0.3
Communication	0.0
Recreation and culture	0.0
Education	0.0
Restaurants and hotels	0.2
Miscellaneous goods and services	0.2

The increase in the year-on-year price level growth was owing to prices in **'housing, water, electricity, gas and other fuels'** in particular. Prices of actual rentals for housing went up by 3.0%, electricity by 4.3%, charges for water supply by 1.8%, and sewage collection by 1.3%. Prices of natural gas went down by 0.8% and prices of heat and hot water by 0.1%.

In **'food and non-alcoholic beverages'**, prices of bread and cereals rose by 0.3%, of which flours and other cereals by 2.9%. Prices of meat were higher by 1.2%, of which beef and veal by 1.4%. Prices of eggs went up by 5.2%, butter by 4.8%, yoghurts by 8.0%. Fruit prices rose by 2.8%. Prices of vegetables were lower by 0.1%, of which potato prices by 4.8%.

In **'transport'**, prices of fuels and lubricants for personal transport equipment increased by 6.2%. Prices of motor cars rose by 1.9%. Prices of transport services went down by 2.0%.

The growth of prices in **'alcoholic beverages and tobacco'** occurred due to the price rise in tobacco products (also due to an excise duty increase since January 2018) by 3.3%. Prices of spirits rose by 3.0%, wine by 1.5%, and beer by 2.9%.

The price increase in **'restaurants and hotels'** was due mainly to prices of catering services, which were higher by 3.6%. Prices of accommodation services went up by 3.0%.

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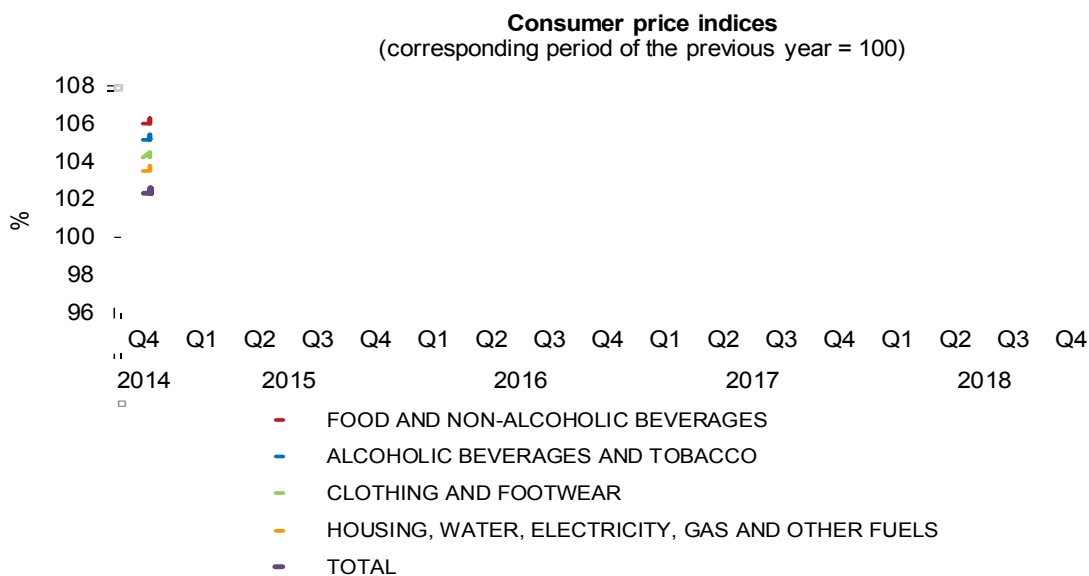
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'Miscellaneous goods and services' involve various items, of which especially prices of hairdressing salons and services of personal care went up by 4.7% and prices of insurance by 5.2%. Prices of financial services went up by 0.8%.

In 'clothing and footwear', prices of garments went down by 2.1%, while prices of shoes and other footwear rose by 2.1%.

The development of consumer price index by ECOICOP division



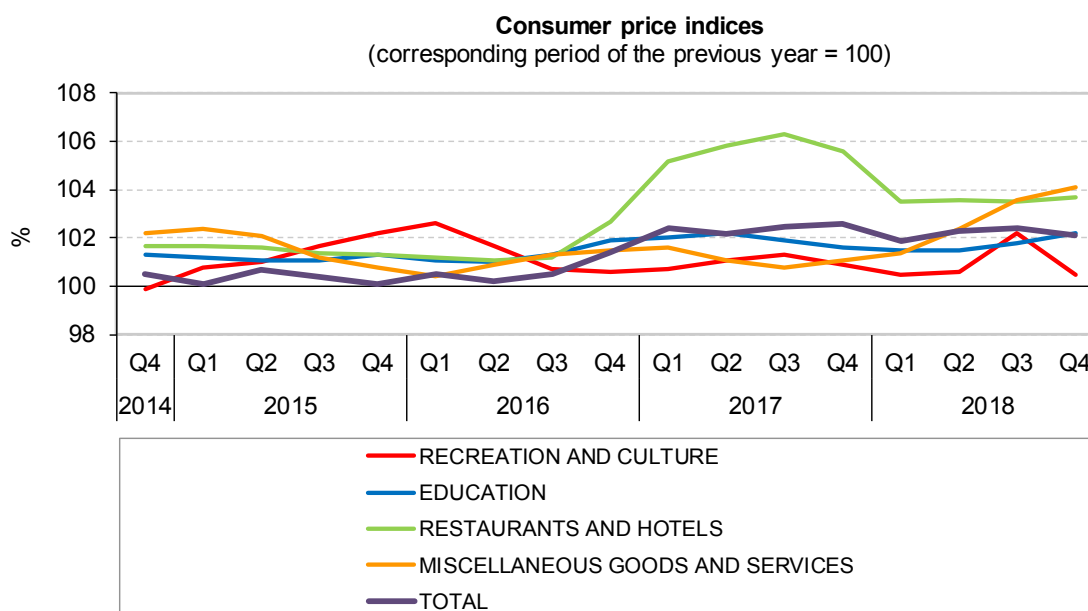
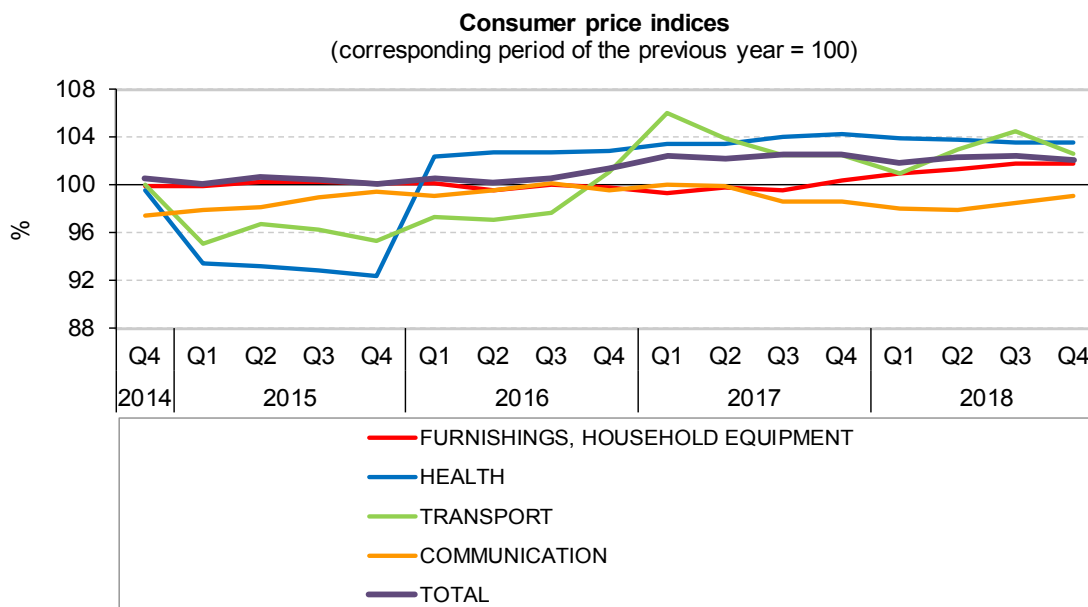
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ECOICOP	Division	Constant weights of 2016 (per mille)	2017	2018							
			Corresponding period of the previous year = 100								
			Q4	Q1	Q2	Q3	October	November	December	Q4	year
E00	Total	1 000.0	102.6	101.9	102.3	102.4	102.2	102.0	102.0	102.1	102.1
E01	Food and non-alcoholic beverages	177.6	106.3	102.9	102.3	100.6	100.2	98.8	99.4	99.5	101.3
E01.11	<i>Bread and cereals</i>	28.3	105.8	102.8	100.0	99.1	99.1	98.3	100.6	99.3	100.3
E01.12	<i>Meat</i>	42.1	104.8	103.6	101.5	100.0	100.3	99.7	99.4	99.8	101.2
E02	Alcoholic beverages and tobacco	92.2	101.5	102.5	103.6	102.8	103.2	103.2	102.8	103.1	103.0
E03	Clothing and footwear	41.5	99.2	99.7	99.0	98.6	98.0	98.6	98.5	98.3	98.9
E04	Housing, water, electricity, gas and other fuels	257.2	102.2	102.3	102.6	103.2	103.5	103.9	104.0	103.8	103.0
E04.1	<i>Actual rentals for housing</i>	33.7	102.4	102.3	102.9	103.4	103.4	103.3	103.3	103.3	103.0
E04.510	<i>Electricity</i>	42.7	100.3	102.8	103.5	105.5	105.6	105.6	105.6	105.6	104.3
E04.521	<i>Natural gas and town gas</i>	24.4	99.2	98.9	99.2	99.2	99.2	99.5	99.8	99.5	99.2
E05	Furnishings, household equipment and routine household maintenance	58.1	100.4	101.0	101.3	101.8	102.0	101.6	101.8	101.8	101.5
E06	Health	24.5	104.2	103.9	103.8	103.6	103.6	103.4	103.4	103.5	103.7
E07	Transport	101.7	102.5	101.0	103.0	104.5	103.3	102.9	101.6	102.6	102.8
E07.22	<i>Fuels and lubricants for personal transport equipment</i>	29.1	102.5	98.4	104.9	112.3	112.2	110.1	106.1	109.5	106.2
E08	Communication	28.9	98.6	98.0	97.9	98.5	99.1	99.2	99.2	99.1	98.4
E09	Recreation and culture	86.3	100.9	100.5	100.6	102.2	100.3	100.4	100.8	100.5	101.0
E09.60	<i>Package holidays</i>	19.2	102.9	102.4	102.8	109.7	102.4	103.3	104.0	103.2	104.7
E10	Education	5.7	101.6	101.5	101.5	101.8	102.2	102.2	102.3	102.2	101.7
E11	Restaurants and hotels	59.1	105.6	103.5	103.6	103.5	103.5	103.8	103.8	103.7	103.6
E12	Miscellaneous goods and services	67.2	101.1	101.4	102.4	103.6	104.1	104.0	104.1	104.1	102.9

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