

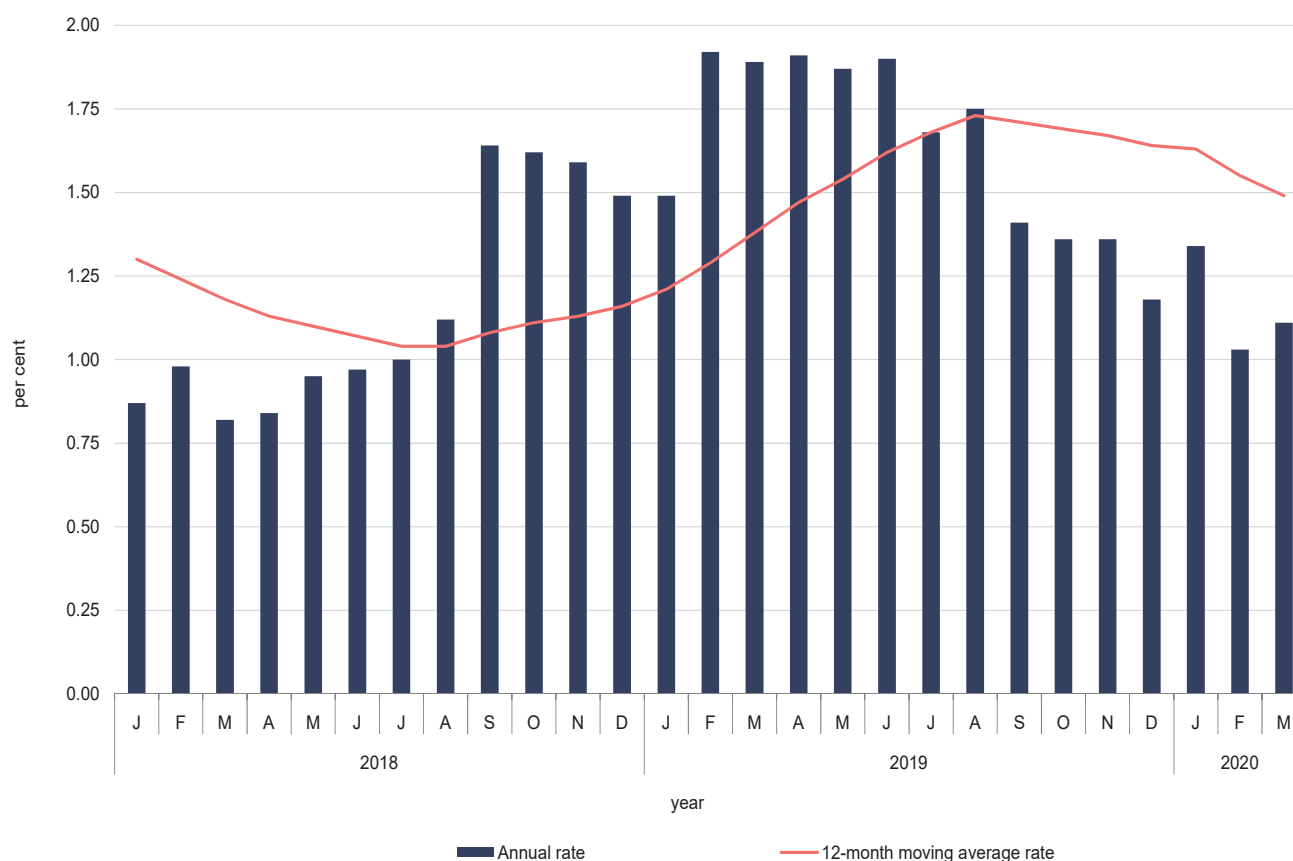
23 April 2020 | 1100 hrs | 066/2020

Retail Price Index: March 2020

1. Main points

- In March 2020, the annual rate of inflation as measured by the Retail Price Index (RPI) was 1.11 per cent, up from 1.03 per cent in February 2020 (Table 2).
- The twelve-month moving average rate for March stood at 1.49 per cent (Table 2).¹
- The largest upward impact on annual inflation was measured in the Food Index, while the largest downward impact was recorded in the Household Equipment and House Maintenance Costs Index (Chart 3).

Chart 1. Inflation rates



Price collection takes place over at least one working week at, or near, the middle of the calendar month to which the index pertains. Therefore, price collection was complete before price changes resulting from domestic COVID-19 developments are likely to have occurred. As a result, the impact of COVID-19 on the retail price index for March is likely to be minimal. NSO will ensure that it continues to measure prices in a reliable manner. Any changes in methodology that are required in light of COVID-19 will be communicated, starting from next month.

¹ This rate of inflation, that factors in aspects of seasonality, is widely used in Malta to make cost-of-living adjustments. It is also used to update the index of inflation in continuation of the Schedule to the Housing (Decontrol) Ordinance (CAP.158, Art.13) of the Laws of Malta, on the basis of the All Items Retail Price Index.

2. Overview

The Retail Price Index measures monthly price changes in the cost of purchasing a representative basket of consumer goods and services, and is closely linked with the cost-of-living adjustment (COLA) increases and periodic rent payment adjustments. A closely related measure of price movements is the Harmonised Index of Consumer Prices (HICP). For a description of the differences between the RPI and the HICP, refer to page 5 of this release.

Each monthly RPI News Release includes three different measures of inflation:

- i. The annual inflation rate measures average price changes between the reference month and the same month of the previous year. Although responsive to recent changes in price levels, this measure can be influenced by one-off effects in either month.
- ii. The monthly inflation rate compares price changes between the reference month and the previous month. This measure can be highly influenced by seasonal effects.
- iii. The 12-month moving average rate overcomes the volatility of the above two rates by comparing the average of the latest 12 indices to the average of the previous 12 indices. This measure is less sensitive to temporary changes in prices. Thus, this rate is used for the computation of the COLA and adjustments in wages, rents, etc.

3. Price changes and effects on inflation

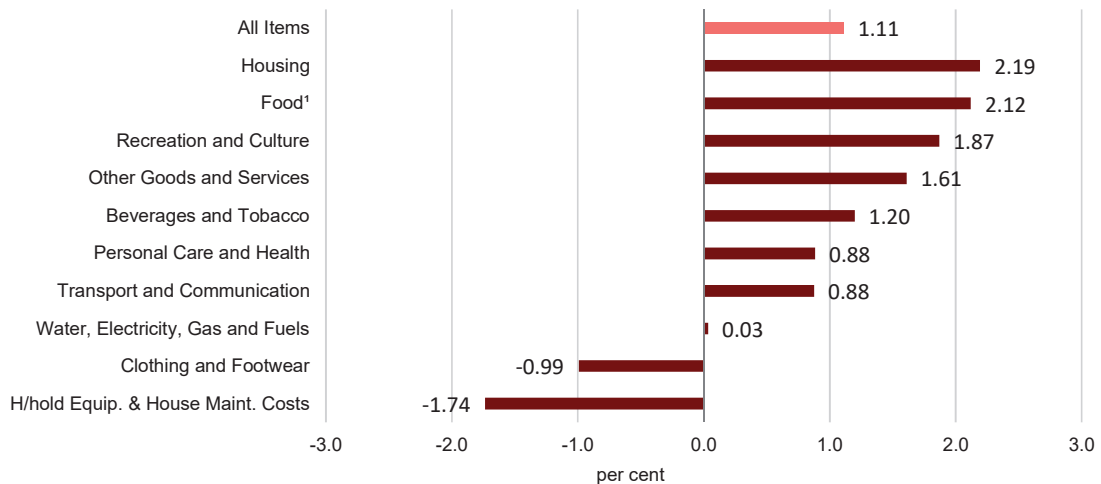
Table 1 shows that the highest annual inflation rates in March 2020 were registered in the following main groups: Housing (2.19 per cent) and Food (2.12 per cent). On the other hand, the lowest annual inflation rates were registered in Household Equipment and House Maintenance Costs (-1.74 per cent) and Clothing and Footwear (-0.99 per cent).

Table 1. RPI group indices
December 2016=100

Group	Weight	Indices			Annual rate (%)	Monthly rate (%)
		Mar 2019	Feb 2020	Mar 2020	Mar 2020	Mar 2020
Food ¹	21.49	106.14	108.55	108.39	2.12	-0.15
Beverages and Tobacco	5.56	103.99	105.03	105.23	1.20	0.20
Clothing and Footwear	6.62	86.30	77.38	85.45	-0.99	10.42
Housing	7.90	103.05	105.27	105.31	2.19	0.04
Water, Electricity, Gas and Fuels	3.31	100.78	100.81	100.81	0.03	0.00
Household Equipment and House Maintenance Costs	6.97	103.32	101.45	101.53	-1.74	0.08
Transport and Communication	22.10	102.38	103.18	103.28	0.88	0.09
Personal Care and Health	8.81	102.84	103.71	103.75	0.88	0.04
Recreation and Culture	9.90	101.22	104.22	103.11	1.87	-1.07
Other Goods and Services	7.34	101.12	102.29	102.75	1.61	0.45
All Items	100.00	102.11	102.78	103.25	1.11	0.46

¹ including restaurant services and take-aways

Chart 2. Annual inflation rates by main groups: March 2020



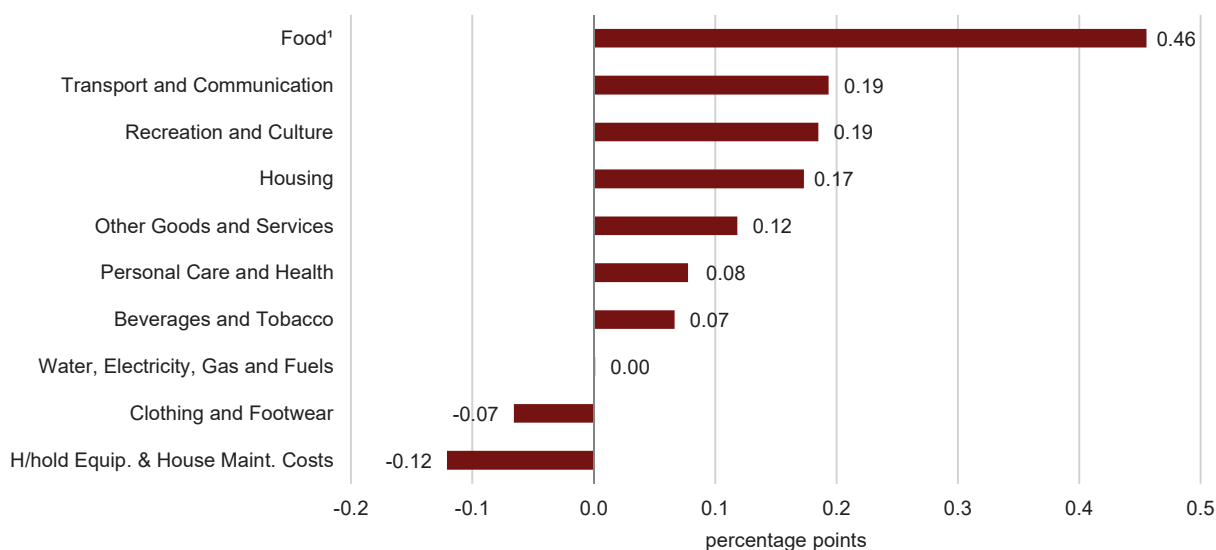
¹ including restaurant services and take-aways

Chart 3 depicts the impacts on the annual inflation rate by the 10 main groups. An impact is a measure showing the change in inflation as a result of the inclusion of an index. Such an impact takes into account both the weight and the annual rate of inflation by group.

In March 2020, the largest upward impact on annual inflation was registered in the Food Index (+0.46 percentage points), mainly due to higher prices of milk. The second and third largest impacts were measured in the Transport and Communication Index (+0.19 percentage points) and the Recreation and Culture Index (+0.19 percentage points), mainly on account of higher prices of fuels and to hire premises for private events respectively (Chart 3).

On the other hand, the downward impacts on annual inflation were registered in the Household Equipment and House Maintenance Costs Index (-0.12 percentage points) and the Clothing and Footwear Index (-0.07 percentage points), mainly reflecting lower prices of furniture and footwear respectively (Chart 3).

Chart 3. Contribution to the annual inflation rate by the 10 main groups: March 2020



¹ including restaurant services and take-aways

Note: A percentage point is the arithmetic difference between two percentages.

Table 2. Inflation rates by month and year

Month	2018		2019		2020	
	Annual rate (%)	12-month moving average rate (%)	Annual rate (%)	12-month moving average rate (%)	Annual rate (%)	12-month moving average rate (%)
January	0.87	1.30	1.49	1.21	1.34	1.63
February	0.98	1.24	1.92	1.29	1.03	1.55
March	0.82	1.18	1.89	1.38	1.11	1.49
April	0.84	1.13	1.91	1.47		
May	0.95	1.10	1.87	1.54		
June	0.97	1.07	1.90	1.62		
July	1.00	1.04	1.68	1.68		
August	1.12	1.04	1.75	1.73		
September	1.64	1.08	1.41	1.71		
October	1.62	1.11	1.36	1.69		
November	1.59	1.13	1.36	1.67		
December	1.49	1.16	1.18	1.64		

4. Aggregates

Table 3. Aggregates: March 2020

Group	Aggregates (respective % weight)	Annual rate (%)	Monthly rate (%)
Food (21.49 %)	Food excluding restaurant services and take-aways (15.60 %)	2.34	-0.25
	Restaurant services and take-aways (5.89 %)	1.57	0.11
Beverages and Tobacco (5.56 %)	Beverages (2.81 %)	1.01	0.21
	Served beverages in restaurants and take-aways (1.16 %)	3.16	0.41
	Tobacco (1.59 %)	0.00	0.00
Clothing and Footwear (6.62 %)	Clothing (5.45 %)	-0.54	11.32
	Footwear (1.17 %)	-2.97	6.57
Housing (7.90 %)	Rent (1.08 %)	5.41	0.24
	Materials for house maintenance (3.70 %)	1.04	0.00
	Services for house maintenance (3.12 %)	2.40	0.00
Water, Electricity, Gas and Fuels (3.31 %)	Water and electricity (3.06 %)	0.00	0.00
	Gas and fuels (kerosene) (0.25 %)	0.40	0.00
Household Equipment and House Maintenance Costs (6.97 %)	Furniture and furnishings (3.59 %)	-2.44	-0.39
	Carpets and household textiles (0.76 %)	-1.16	1.99
	Household appliances and utensils (2.62 %)	-0.82	0.28
Transport and Communication (22.10 %)	Transport (16.57 %)	1.26	0.14
	Communication (5.53 %)	-0.30	-0.03
Personal Care and Health (8.81 %)	Medical services and medicinals (4.14 %)	1.63	0.10
	Personal care products and services (4.67 %)	0.22	-0.02
Recreation and Culture (9.90 %)	Sports related equipment (0.54 %)	2.14	0.00
	Educational fees and related expenses (2.04 %)	2.92	0.16
	Other recreational articles and services (7.32 %)	1.57	-1.48
Other Goods and Services (7.34 %)	Jewellery, watches and other articles (1.13 %)	2.83	2.19
	Non-durable household goods (1.72 %)	0.76	0.08
	Veterinary services (including pet food) and domestic services (1.40 %)	0.93	-0.10
	Insurances, financial services and other services (3.09 %)	1.93	0.30

The Housing Index registered an overall annual inflation rate of 2.19 per cent (Table 1), of which Rent registered an annual rate of 5.41 per cent, Materials for house maintenance registered an annual rate of 1.04 per cent, and Services for house maintenance registered an annual rate of 2.40 per cent (Table 3).

The Household Equipment and House Maintenance Costs Index registered an overall annual inflation rate of -1.74 per cent (Table 1), of which Furniture and furnishings registered an annual rate of -2.44 per cent, Carpets and household textiles registered an annual rate of -1.16 per cent, and Household appliances and utensils registered an annual rate of -0.82 per cent (Table 3).

5. Background notes

5.1 Accessing data

Further information on HICP and RPI NSO publications may be accessed from:

https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A5/Price_Statistics/Pages/Harmonised-Index-of-Consumer-Prices.aspx and https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A5/Price_Statistics/Pages/Retail-Price-Index.aspx respectively.

Eurostat publications on HICP may be accessed from:

<http://ec.europa.eu/eurostat/news/news-releases>

5.2 Differences between RPI and HICP

Both indices are compiled using a large and representative selection of more than 440 different goods and services for which price movements are regularly monitored. Around 10,000 separate price quotations are used each month to compile the Index.

Although the methodology underlying RPI and HICP is similar, there are differences:

- i. The RPI captures private households only, whereas the HICP covers private households, institutional households (such as retirement homes) and foreign visitors to Malta.
- ii. The population base year of each index is different. The RPI is a fixed base index with weights periodically updated in line with the HBS. On the other hand, the HICP is a chain-linked index with the weights reviewed on an annual basis. Unlike the RPI where the sample of goods and services changes every time the weights are updated, newly significant goods and services can be introduced in the HICP framework on an annual basis.
- iii. The coverage of the HICP is based on an international classification system, COICOP (Classification of Individual Consumption by Purpose), whereas the RPI has a different set of codes for each group of items.

Group	COICOP division	Weight (out of 1000)	RPI group	Weight (out of 100)
1	Food and Non-alcoholic Beverages	160.55	Food (including restaurant services and take-aways)	21.49
2	Alcoholic Beverages and Tobacco	36.49	Beverages and Tobacco	5.56
3	Clothing and Footwear	48.96	Clothing and Footwear	6.62
4	Housing, Water, Electricity, Gas and Other Fuels	85.44	Housing	7.90
5	Furniture, Household Equipment and Routine Household Maintenance	77.55	Water, Electricity, Gas and Fuels	3.31
6	Health	40.50	Household Equipment and House Maintenance Costs	6.97
7	Transport	136.84	Transport and Communication	22.10
8	Communication	32.87	Personal Care and Health	8.81
9	Recreation and Culture	102.90	Recreation and Culture (including education)	9.90
10	Education	22.62	Other Goods and Services	7.34
11	Restaurants and Hotels	178.25		
12	Miscellaneous Goods and Services	77.03		
	Total	1,000.00	Total	100.00

Apart from the disparities identified above, both the RPI and the HICP:

- have the same geographic coverage, implying that both indices refer to the whole country;
- utilise the same price collection methodologies; and
- utilise the same outlet sample (with some exceptions).

5.3 Further information

Price quotations for the new items introduced in the latest RPI index series started being collected in December 2016.

From January 2017 the RPI started being published with December 2016 as its base. All RPI indices pertaining to the years prior to 2017 were re-based to December 2016=100. This latest index series may be linked to the previous one by using a linking coefficient of 1.1199.

The basket of consumption items considered for the RPI is reviewed periodically, in line with the Household Budgetary Survey (HBS) during which information of household consumption is collected over a 12-month period in order to obtain an estimate of the average household expenditure. New products are included in the basket of items when achieving a sales volume of over one part per thousand of total consumer expenditure covered by the RPI. The information collected through the HBS exercise is then further supplemented by additional data sources to get to the final RPI weights.

The HICP is being published with 2015 as its base year. The previous series with reference 2005=100 has been discontinued. Commission Regulation (EU) No 2015/2010 provides the legal basis for updating the HICP reference year from 2005=100 to 2015=100. It should be noted that the re-basing operation was conducted after rounding all past indices to one decimal place. Therefore, there might be slight differences when comparing this series with past data due to rounding.

The HICP largely follows National Accounts concepts of what constitutes household consumption in determining the index scope, and mainly uses National Accounts data to weight the items in the basket.

The HICP weighting scheme is annually updated in accordance with Commission Regulation (EU) No 1114/2010. The treatment of seasonal items is in accordance with Commission Regulation (EC) No 330/2009.

Figures in Special Aggregates table may not add up mainly due to additivity and the change in weights and basket of items in January 2017.

Users are advised to consult the NSO before comparing the results of the RPI and the HICP.

More information on the metadata behind HICP and RPI News Releases may be accessed from:

Source and Methods:

https://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A5/Price_Statistics/Pages/Retail-Price-Index.aspx

Statistical Concepts: <https://nso.gov.mt/metadata/concepts.aspx>

Metadata (RPI): <https://nso.gov.mt/metadata/reports.aspx?id=10>

Metadata (HICP): <https://nso.gov.mt/metadata/reports.aspx?id=9>

Classifications: <https://nso.gov.mt/metadata/classificationdetails.aspx?id=COICOP%201999>

HICP and RPI Manual:

https://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A5/Price_Statistics/Documents/RPI_and_HICP_Manual.pdf

Statistical database: <https://nso.gov.mt/statdb/start>

References to this news release are to be cited appropriately.

5.4 Publication policy

A calendar for future news releases may be accessed from:

https://nso.gov.mt/en/News_Releases/Release_Calendar/Pages/News-Release-Calendar.aspx

6. Methodological notes

6.1 Reassessments / revisions

Note that the RPI series is published with reference base December 2016 whereas the HICP series is published for base year 2015 in line with Eurostat base year revisions:

<https://ec.europa.eu/eurostat/documents/272892/272971/HICP+reference+year+2015%3D100/>

6.2 Time series

Data from 1946 onwards is accessible from the following link:

https://nso.gov.mt/en/nso/Selected_Indicators/Retail_Price_Index/Pages/Index-of-Inflation.aspx