

16 June 2017 | 1100 hrs | 097/2017

In May, the annual rate of inflation registered by the Harmonised Index of Consumer Prices stood at 1.1 per cent, unchanged from April 2017.

Harmonised Index of Consumer Prices (HICP): May 2017

The monthly inflation rate, measuring price changes between May 2017 and April 2017 Indices, decreased to 1.0 per cent, from 2.6 per cent registered in April (Table 2).

The largest upward impacts on annual inflation were registered in the Food and Non-alcoholic Beverages Index (0.31 percentage points), the Furniture, Household Equipment and Routine Maintenance of the House Index (0.25 percentage points) and the Restaurants and Hotels Index (0.20 percentage points). These were mainly due to higher prices of non-alcoholic beverages, home furniture and restaurant services (including cafeterias and the like) respectively (Table 5).

The Clothing and Footwear Index (0.10 percentage points), the Communication Index (0.09 percentage points) and the Miscellaneous Goods and Services Index (0.01 percentage points) registered the largest downward impacts on annual inflation, mainly reflecting lower prices for garments, mobile phones and jewellery articles respectively (Table 5).

The twelve-month moving average rate for May stood at a rate of 1.0 per cent (Table 4) ■

Inflation rates

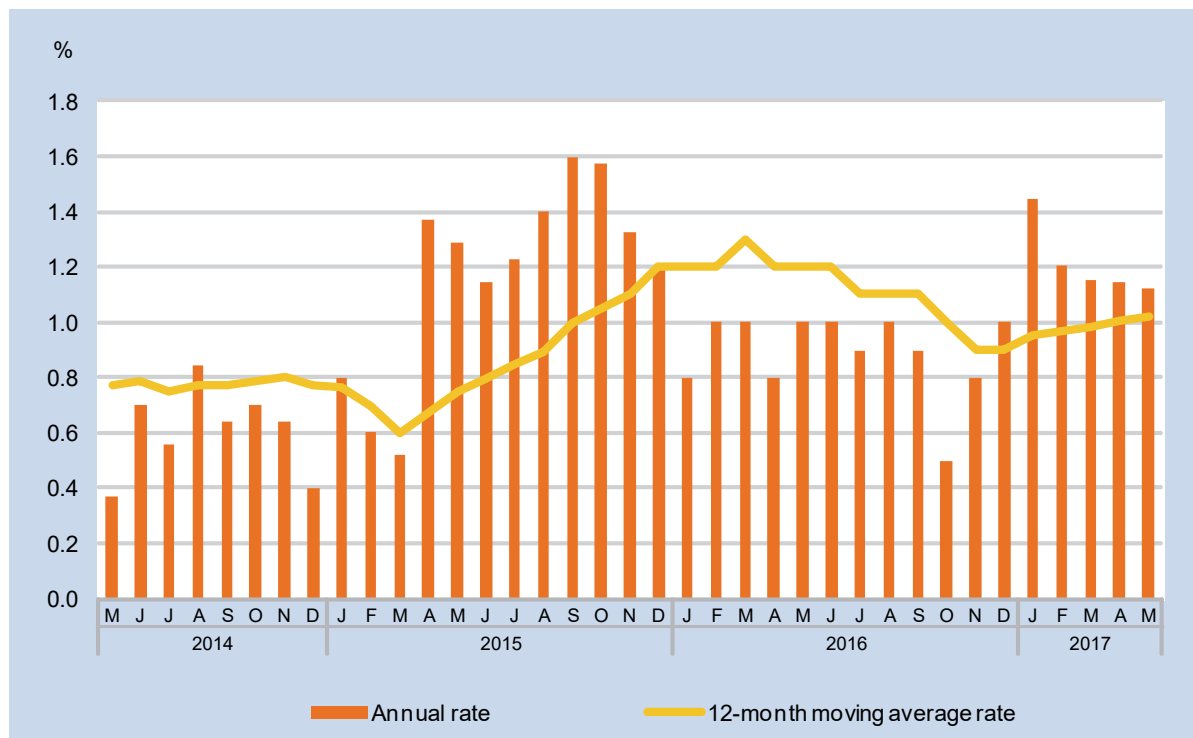


Table 1. HICP by period and division
Average 2015=100*

| Division | Weight | Indices | | | Percentage change | |
|---|-----------------|---------------|---------------|---------------|-------------------------------|--------------------------------|
| | | May 2016 | Apr 2017 | May 2017 | Annual (May 2017/May 2016) | Monthly (May 2017/Apr 2017) |
| Food and Non-alcoholic Beverages | 165.55 | 101.95 | 104.49 | 103.84 | 1.9 | -0.6 |
| Alcoholic Beverages and Tobacco | 37.57 | 103.97 | 106.50 | 106.68 | 2.6 | 0.2 |
| Clothing and Footwear | 56.78 | 104.05 | 100.13 | 102.05 | -1.9 | 1.9 |
| Housing, Water, Electricity, Gas and Other Fuels | 82.69 | 101.18 | 101.59 | 101.63 | 0.4 | 0.0 |
| Furniture, Household Equipment and Routine Maintenance of the House | 78.46 | 102.74 | 105.85 | 106.08 | 3.3 | 0.2 |
| Health | 43.63 | 101.78 | 103.50 | 103.68 | 1.9 | 0.2 |
| Transport | 139.82 | 97.81 | 99.13 | 98.79 | 1.0 | -0.3 |
| Communication | 37.58 | 98.59 | 96.34 | 96.17 | -2.5 | -0.2 |
| Recreation and Culture | 101.50 | 97.51 | 98.07 | 98.74 | 1.3 | 0.7 |
| Education | 18.33 | 105.29 | 110.90 | 110.90 | 5.3 | 0.0 |
| Restaurants and Hotels | 162.65 | 108.66 | 104.48 | 109.92 | 1.2 | 5.2 |
| Miscellaneous Goods and Services | 75.44 | 101.60 | 101.43 | 101.52 | -0.1 | 0.1 |
| All Items | 1,000.00 | 102.24 | 102.35 | 103.39 | 1.1 | 1.0 |

* See methodological note 7

Table 2. HICP by period and division
Percentage change (%)

| Division | Weight | Annual | | | Monthly | | |
|---|-----------------|------------|------------|------------|------------|------------|------------|
| | | May 2016 | Apr 2017 | May 2017 | May 2016 | Apr 2017 | May 2017 |
| Food and Non-alcoholic Beverages | 165.55 | 2.2 | 2.9 | 1.9 | 0.4 | -0.3 | -0.6 |
| Alcoholic Beverages and Tobacco | 37.57 | 4.8 | 2.6 | 2.6 | 0.1 | 0.0 | 0.2 |
| Clothing and Footwear | 56.78 | -1.2 | -0.9 | -1.9 | 3.0 | 4.3 | 1.9 |
| Housing, Water, Electricity, Gas and Other Fuels | 82.69 | 1.2 | 0.2 | 0.4 | -0.2 | 0.3 | 0.0 |
| Furniture, Household Equipment and Routine Maintenance of the House | 78.46 | 3.2 | 3.5 | 3.3 | 0.5 | 0.1 | 0.2 |
| Health | 43.63 | 2.1 | 1.8 | 1.9 | 0.1 | 0.3 | 0.2 |
| Transport | 139.82 | -1.8 | 0.8 | 1.0 | -0.5 | 0.3 | -0.3 |
| Communication | 37.58 | -1.5 | -2.4 | -2.5 | -0.1 | -0.4 | -0.2 |
| Recreation and Culture | 101.50 | -2.9 | -0.8 | 1.3 | -1.3 | 1.2 | 0.7 |
| Education | 18.33 | 5.9 | 5.3 | 5.3 | 0.0 | 0.8 | 0.0 |
| Restaurants and Hotels | 162.65 | 2.4 | 1.1 | 1.2 | 5.1 | 12.9 | 5.2 |
| Miscellaneous Goods and Services | 75.44 | 1.5 | 0.2 | -0.1 | 0.4 | 0.4 | 0.1 |
| All Items | 1,000.00 | 1.0 | 1.1 | 1.1 | 1.0 | 2.6 | 1.0 |

Table 3. All Items HICP by month and year
Average 2015=100*

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|-------|-------|
| 2014 | 95.52 | 96.21 | 97.14 | 99.00 | 99.97 | 101.14 | 101.09 | 101.26 | 100.26 | 99.66 | 97.45 | 97.38 |
| 2015 | 96.29 | 96.75 | 97.64 | 100.36 | 101.26 | 102.30 | 102.33 | 102.68 | 101.85 | 101.23 | 98.74 | 98.60 |
| 2016 | 97.07 | 97.69 | 98.64 | 101.19 | 102.24 | 103.36 | 103.29 | 103.72 | 102.80 | 101.78 | 99.50 | 99.55 |
| 2017 | 98.47 | 98.87 | 99.78 | 102.35 | 103.39 | | | | | | | |

Table 4. Inflation rates by month and year
(%)

| Rates over time | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2014 | | | | | | | | | | | | |
| Annual rate | 0.9 | 1.6 | 1.4 | 0.5 | 0.4 | 0.7 | 0.6 | 0.8 | 0.6 | 0.7 | 0.6 | 0.4 |
| 12-month moving average rate | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| 2015 | | | | | | | | | | | | |
| Annual rate | 0.8 | 0.6 | 0.5 | 1.4 | 1.3 | 1.1 | 1.2 | 1.4 | 1.6 | 1.6 | 1.3 | 1.2 |
| 12-month moving average rate | 0.8 | 0.7 | 0.6 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 | 1.0 | 1.0 | 1.1 | 1.2 |
| 2016 | | | | | | | | | | | | |
| Annual rate | 0.8 | 1.0 | 1.0 | 0.8 | 1.0 | 1.0 | 0.9 | 1.0 | 0.9 | 0.5 | 0.8 | 1.0 |
| 12-month moving average rate | 1.2 | 1.2 | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 | 0.9 | 0.9 |
| 2017 | | | | | | | | | | | | |
| Annual rate | 1.4 | 1.2 | 1.2 | 1.1 | 1.1 | | | | | | | |
| 12-month moving average rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | | | | | | | |

* See methodological note 7

Table 5. Impact on annual inflation by division *

| Division | Weight | Annual rate May 2017 | Impact (percentage points) May 2017 |
|---|---------------|---------------------------------|--|
| Food and Non-alcoholic Beverages | 165.55 | 1.9 | 0.31 |
| Alcoholic Beverages and Tobacco | 37.57 | 2.6 | 0.09 |
| Clothing and Footwear | 56.78 | -1.9 | -0.10 |
| Housing, Water, Electricity, Gas and Other Fuels | 82.69 | 0.4 | 0.04 |
| Furniture, Household Equipment and Routine Maintenance of the House | 78.46 | 3.3 | 0.25 |
| Health | 43.63 | 1.9 | 0.08 |
| Transport | 139.82 | 1.0 | 0.13 |
| Communication | 37.58 | -2.5 | -0.09 |
| Recreation and Culture | 101.50 | 1.3 | 0.13 |
| Education | 18.33 | 5.3 | 0.09 |
| Restaurants and Hotels | 162.65 | 1.2 | 0.20 |
| Miscellaneous Goods and Services | 75.44 | -0.1 | -0.01 |

* See methodological note 11

Methodological Notes

1. The Harmonised Index of Consumer Prices (HICP) is calculated according to rules specified in a series of European Union Regulations that were developed by Eurostat in conjunction with the EU Member States.
2. The HICP is used to compare inflation rates across the European Union. It has been used by the European Central Bank (ECB) as the measure of price stability across the euro area since January 1999. Indeed, the HICP was developed in the EU for the purpose of assessing whether prospective members of the European Monetary Union would meet the inflation convergence criterion, and later acting as the measure of inflation used by the ECB to assess price stability in the euro area. The main requirement was for a measure that could be used to make reliable comparisons of inflation rates across EU Member States. Such comparisons are not possible using national consumer price indices due to differences in index coverage and construction.
3. While the methodology of the Retail Price Index (RPI) and the HICP is similar, it differs in the following ways:
 - (a) The population base of each index is different. The RPI is representative of private households only. The HICP covers private households, institutional households and foreign visitors to Malta;
 - (b) The RPI is a fixed weight and fixed base index while the HICP is a chain index whose weights are reviewed on an annual basis, every January. Additionally, newly significant goods and services can be introduced into the HICP on an annual basis;
 - (c) The coverage of the HICP is based on an international classifications system, COICOP (Classification of Individual Consumption by Purpose). The way in which this broadly maps to the RPI groupings is shown in the following table:

| | COICOP Division | RPI Group |
|----|---|--|
| 01 | Food and non-alcoholic beverages | Food (including take-away food and food consumed in restaurants) |
| 02 | Alcoholic Beverages and Tobacco | Beverages and Tobacco |
| 03 | Clothing and Footwear | Clothing and Footwear |
| 04 | Housing, Water, Electricity, Gas and Other Fuels | Housing Water, Electricity, Gas and Fuels |
| 05 | Furniture, Household Equipment and Routine Maintenance of the House | Household Equipment and House Maintenance Costs |
| 06 | Health | Personal Care and Health |
| 07 | Transport | Transport and Communication |
| 08 | Communication | |
| 09 | Recreation and Culture | Recreation and Culture (including education) |
| 10 | Education | |
| 11 | Restaurants and Hotels | Restaurants (included under food) |
| 12 | Miscellaneous Goods and Services | Other Goods and Services |

This comparison is broad and indicative only. Therefore, users are advised to consult the NSO before comparing the results of these indices at such levels.

4. Apart from the disparities identified in point 3 above, both the RPI and the HICP have the same geographic coverage such that both indices refer to the whole country. In addition to this, both indices utilise the same price collection methodologies in respect of, by and large, the same basket of goods and services. Prices are collected from the same outlets.
5. The RPI and the HICP use different weighting schemes. The RPI weights refer to expenditure by private households and are largely based on data derived from the Household Budgetary Survey (HBS). The HICP weights cover private household expenditure, institutional household expenditure as well as tourism expenditure in Malta. The differences in the underlying weighting schemes between the RPI and the HICP account significantly for the disparities in their results on a monthly basis.
6. The HICP largely follows National Accounts concepts of what constitutes household consumption in determining the index scope, and mainly uses National Accounts data sources to weight the items in the basket. This makes for increased coherence between the HICP commodity and population coverage and National Accounts principles. As a result, HICP weights are therefore based on the final consumption expenditure of all individuals in the domestic territory, including spending by private households, institutional households and foreign visitors. National Accounts principles have also influenced the classification of goods and services within this index.

7. The HICP is being published with 2015 as its base year. The previous series with reference 2005=100 is discontinued. Commission Regulation 2015/2010 provides the legal basis for updating the HICP reference year from 2005=100 to 2015=100. As already indicated, the HICP is a chain index that is subject to review on an annual basis. It should be noted that the re-basing operation was conducted after rounding all past indices to one decimal place as required by Eurostat. Therefore, there might be slight differences when comparing this series with past data due to rounding.
8. The HICP is published by the NSO and Eurostat on a monthly basis. Eurostat also publishes aggregate HICP indices for the euro area countries and the European Union. In aggregating the individual country indices, Eurostat uses weights that are based on each country's share of each relative bloc's total household final consumption expenditure.
9. The HICP weighting scheme is annually updated in accordance with Commission Regulation (EU) No. 1114/2010.
10. The treatment of seasonal items is in accordance with Commission Regulation (EC) No. 330/2009.
11. An impact is a measure showing the change in inflation due to the inclusion of an index. The impact takes into account both the weight and the annual rate of inflation by division.
12. Figures may not add up due to rounding.
13. More information relating to this news release may be accessed at:
Statistical Concepts: <http://nso.gov.mt/metadata/concepts.aspx>
Metadata: <http://nso.gov.mt/metadata/reports.aspx?id=9>
Classifications: http://nso.gov.mt/metadata/classificationdetails.aspx?id=COICOP_1999
14. Kindly indicate source when quoting from this release.
15. The advanced news release calendar may be accessed at www.nso.gov.mt