

# News Release



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## Prices

### Harmonised Index of Consumer Prices (HICP): October 2005

In October, the Harmonised Index of Consumer Prices (HICP) increased by 0.88 per cent over September.

The Food and Non-Alcoholic Beverages Index rose by 1.67 per cent to 104.49 from 102.77 the previous month.

The Alcoholic Beverages and Tobacco Index went up by 0.08 per cent to 116.55 from 116.46 in September.

At 95.62, the Clothing and Footwear Index increased by 12.39 per cent from 85.08 in the previous month.

The Housing, Water, Electricity, Gas and Other Fuels Index registered an increase of 0.28 per cent to 113.81 from 113.49 in September.

The Household and Furniture Index went down to 105.44, a decrease of 0.02 per cent from the previous month.

The Health Index declined by 0.04 to 119.16 from 119.21.

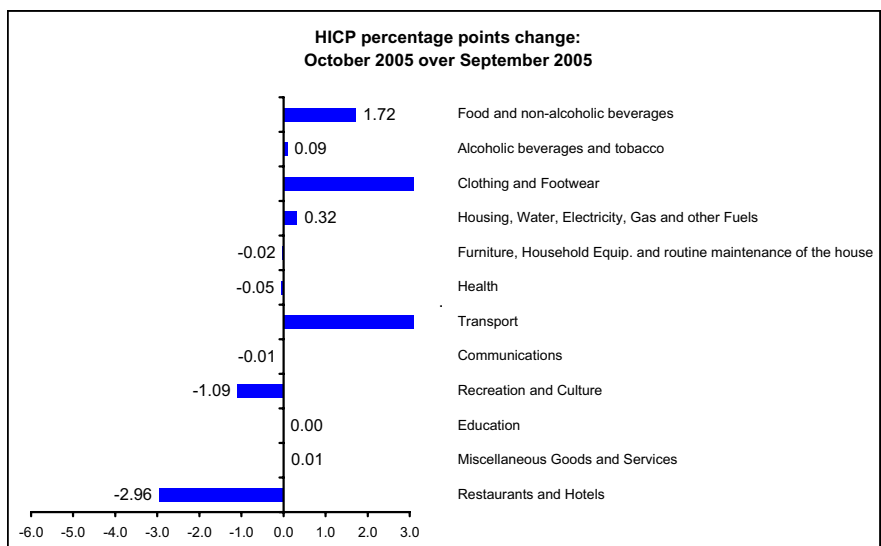
A rise of 3.57 per cent pulled the Transport Index up to 113.54 from 109.63 in the previous month.

The Communications Index decreased by 0.01 per cent to 120.18.

At 104.17, the Recreation and Culture Index went down by 1.04 per cent to 104.17 from 105.26 in September.

The Restaurants and Hotels Index declined by 2.36 per cent to 122.29 from 125.25 in the previous month.

The Miscellaneous Goods and Services Index increased to 111.23 from 111.22, an increase of 0.01 per cent ■



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**Table 1. All Items HICP**  
December 2002=100

Month	2004		2005		
	Index	% change	Index	% change	
		Monthly		Monthly	Annual
January	101.90		103.82	-0.54	1.88
February	101.93	0.03	104.49	0.65	2.51
March	102.40	0.46	105.01	0.50	2.55
April	106.68	4.18	108.75	3.56	1.94
May	106.82	0.13	109.45	0.64	2.46
June	107.22	0.37	109.44	-0.01	2.07
July	107.67	0.42	109.54	0.09	1.74
August	107.19	-0.45	109.85	0.28	2.48
September	107.68	0.46	109.90	0.05	2.06
October	107.69	0.01	110.87	0.88	2.95
November	103.42	-3.97			
December	104.38	0.93			

**Table 2. HICP Index by Division**  
December 2002=100

Division	Weight	2005		% change Oct/Sep 2005
		September	October	
Food and non-alcoholic beverages	173.94	102.77	104.49	1.67
Alcoholic beverages and tobacco	46.57	116.46	116.55	0.08
Clothing and Footwear	69.75	85.08	95.62	12.39
Housing, Water, Electricity, Gas & other Fuels	72.78	113.49	113.81	0.28
Furniture, Household Equip. & routine maintenance of the house	93.25	105.46	105.44	-0.02
Health	27.58	119.21	119.16	-0.04
Transport	144.21	109.63	113.54	3.57
Communications	23.52	120.19	120.18	-0.01
Recreation and Culture	103.07	105.26	104.17	-1.04
Education	10.04	106.77	106.77	0.00
Restaurants and Hotels	181.95	125.25	122.29	-2.36
Miscellaneous Goods and Services	53.34	111.22	111.23	0.01
All Items	1000.00	109.90	110.87	0.88

**Table 3. Harmonised Index of Consumer Prices**  
*December 2002=100*

Division	Weight	2004			2005									
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Food and Non-alcoholic Beverages	<b>173.94</b>	100.11	102.26	102.62	103.78	106.07	104.43	103.27	104.23	102.91	101.05	101.83	102.77	104.49
Alcoholic Beverages and Tobacco	<b>46.57</b>	114.36	114.38	114.41	115.95	115.99	116.04	116.11	116.19	116.28	116.37	116.39	116.46	116.55
Clothing and Footwear	<b>69.75</b>	92.46	96.23	98.79	81.03	82.57	89.66	94.47	94.97	95.03	82.46	77.73	85.08	95.62
Housing, Water, Electricity, Gas and Other Fuels	<b>72.78</b>	105.72	106.81	106.95	111.23	111.23	113.12	113.18	113.35	113.35	113.48	113.34	113.49	113.81
Furniture, H'hold Equipment & Routine Maint. of the House	<b>93.25</b>	103.24	103.44	103.71	103.81	103.96	104.29	104.49	104.61	105.03	105.19	105.44	105.46	105.44
Health	<b>27.58</b>	113.64	113.41	113.58	114.87	117.72	118.19	118.21	118.71	118.83	118.63	118.94	119.21	119.16
Transport	<b>144.21</b>	107.40	106.75	106.93	106.76	106.68	106.26	106.36	106.60	107.23	109.33	110.36	109.63	113.54
Communications	<b>23.52</b>	115.62	115.89	116.51	116.51	120.18	120.16	120.15	120.15	120.16	120.18	120.18	120.19	120.18
Recreation and Culture	<b>103.07</b>	101.47	99.9	99.27	100.08	99.76	100.27	102.22	102.63	103.09	104.29	105.06	105.26	104.17
Education	<b>10.04</b>	104.64	104.64	104.64	104.64	104.64	104.64	106.77	106.77	106.77	106.77	106.77	106.77	106.77
Restaurants and Hotels	<b>181.95</b>	124.09	97.76	101.64	101.30	101.40	102.08	120.39	122.45	122.64	127.24	128.54	125.25	122.29
Miscellaneous Goods and Services	<b>53.34</b>	107.92	108.56	108.57	109.52	109.68	109.87	110.12	110.12	110.17	110.36	110.68	111.22	111.23
<b>All Items</b>	<b>1000.00</b>	<b>107.69</b>	<b>103.42</b>	<b>104.38</b>	<b>103.82</b>	<b>104.49</b>	<b>105.01</b>	<b>108.75</b>	<b>109.45</b>	<b>109.44</b>	<b>109.54</b>	<b>109.85</b>	<b>109.90</b>	<b>110.87</b>

**Table 4. Monthly percentage changes in the Harmonised Index of Consumer Prices**

Division	Weight	2004			2005									
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Food and Non-alcoholic Beverages	<b>173.94</b>	0.19	2.15	0.35	1.13	2.21	-1.55	-1.11	0.93	-1.27	-1.81	0.77	0.92	1.67
Alcoholic Beverages and Tobacco	<b>46.57</b>	0.00	0.02	0.03	1.35	0.03	0.04	0.06	0.07	0.08	0.08	0.02	0.06	0.08
Clothing and Footwear	<b>69.75</b>	13.10	4.07	2.66	-17.98	1.90	8.59	5.36	0.53	0.06	-13.23	-5.74	9.46	12.39
Housing, Water, Electricity, Gas and Other Fuels	<b>72.78</b>	0.10	1.03	0.13	4.00	0.00	1.70	0.05	0.15	0.00	0.11	-0.12	0.13	0.28
Furniture, H'hold Equipment & Routine Maint. of the House	<b>93.25</b>	0.33	0.19	0.26	0.10	0.14	0.32	0.19	0.11	0.40	0.15	0.24	0.02	-0.02
Health	<b>27.58</b>	0.03	-0.20	0.15	1.14	2.48	0.40	0.02	0.42	0.10	-0.17	0.26	0.23	-0.04
Transport	<b>144.21</b>	-0.34	-0.60	0.17	-0.16	-0.07	-0.39	0.09	0.23	0.59	1.96	0.94	-0.66	3.57
Communications	<b>23.52</b>	0.00	0.23	0.53	0.00	3.15	-0.02	-0.01	0.00	0.01	0.02	0.00	0.01	-0.01
Recreation and Culture	<b>103.07</b>	-1.00	-1.54	-0.63	0.82	-0.32	0.51	1.94	0.40	0.45	1.16	0.74	0.19	-1.04
Education	<b>10.04</b>	0.00	0.00	0.00	0.00	0.00	0.00	2.04	0.00	0.00	0.00	0.00	0.00	0.00
Restaurants and Hotels	<b>181.95</b>	-2.85	-21.22	3.97	-0.33	0.10	0.67	17.94	1.71	0.16	3.75	1.02	-2.56	-2.36
Miscellaneous Goods and Services	<b>53.34</b>	0.27	0.59	0.01	0.88	0.15	0.17	0.23	0.00	0.05	0.17	0.29	0.49	0.01
<b>All Items</b>	<b>1000.00</b>	<b>0.01</b>	<b>-3.97</b>	<b>0.93</b>	<b>-0.54</b>	<b>0.65</b>	<b>0.50</b>	<b>3.56</b>	<b>0.64</b>	<b>-0.01</b>	<b>0.09</b>	<b>0.28</b>	<b>0.05</b>	<b>0.88</b>

## Explanatory 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 the EU statistical office - Eurostat - in conjunction with the EU Member States.
  
2. The HICP is used to compare inflation rates across the European Union. Since January 1999 the European Central Bank (ECB) has also used it as the measure of price stability across the Euro area. Indeed, the HICP was developed in the EU for the purpose of assessing whether prospective members of European Monetary Union would meet the inflation convergence criterion and then of acting as the measure of inflation used by the European Central Bank to assess price stability in the euro area. The main requirement therefore 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 Prices 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 weights and fixed base index while the HICP is a chain index whose weights are reviewed on an annual basis, in January of each year. In addition to this, newly significant goods and services are 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 consumptions by purpose). The way in which this broadly maps to the RPI groupings is shown in the following table:

	<b>COICOP Divisions</b>	<b>RPI Group</b>
01	Food and non-alcoholic beverages	Food (including take-away food and food consumed in restaurants)
02	Alcohol and tobacco	Beverages and tobacco
03	Clothing and footwear	Clothing and footwear
04	Housing and household services	Housing Water, electricity, gas and fuels
05	Furniture and household goods	Household equipment and house maintenance costs
06	Health	Personal care and health
07 08	Transport Communication	Transport and communications
09 10	Recreation and culture Education	Recreation and culture (including 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 in that both indices refer to the whole country. In addition to this, both indices utilize 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. 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 types of goods and services that in principle should be included in the index are known as the scope of the price index. 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 expenditures 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. Whereas the HICP is subject to revisions, the RPI is, by convention, revised in rare and exceptional circumstances.
8. The HICP is being published with 1996 as its base year. However, as already indicated, the HICP is a chain index that is subject to review on an annual basis. Each monthly index is linked to the longer-term index series whose base is 1996. Such a longer-term series was possible because, initially, the NSO calculated an interim HICP on the basis of archived RPI price data in respect of years 1996 to 2002. For the historical interim HICP series, the relative weights were based on the RPI weights, which were, however, e-cast and aggregated up to the required COICOP divisions.
9. The HICP will, henceforth, be published in Malta by the NSO on a monthly basis. Eurostat will also publish it on a monthly basis. However, the latter also publishes aggregate HICP indices for the Monetary Union 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.