

# News Release



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## Prices

### Retail Prices Index: August 2006

*The Retail Price Index dropped in August 2006, while the inflation rate increased from 3.3 per cent to 3.38 per cent.*

In August 2006, the Retail Prices Index went down by 0.41 per cent. This primarily reflected a 3.53 per cent drop in the Clothing and Footwear Index, as shown in Table 2. The Food Index declined as well, by 0.68 per cent over July. This resulted from price decreases in respect of prepared and processed meat, fresh fish, cheese and fresh fruits. On the other hand, higher prices for biscuits and rusks, beef/pork meat and frozen meat were registered. Other indexes which dropped during August 2006 included those for Household Equipment and House Maintenance, Recreation and Culture and Other Goods and Services.

Developments in other indexes mitigated the drop in the Retail Price Index. Higher prices of materials increased the Housing Index by 0.21 per cent. Relatively smaller increases were registered in the indexes for Personal Care and Health, Water, Electricity, Gas and Fuels and Transport and Communications.

In spite of the drop in the Retail Price Index, the inflation rate rose to 3.38 per cent in August 2006, as Chart 1 shows. The inflation rate remained conditioned by increases in the Retail Price Index registered in the later months of 2005 ■

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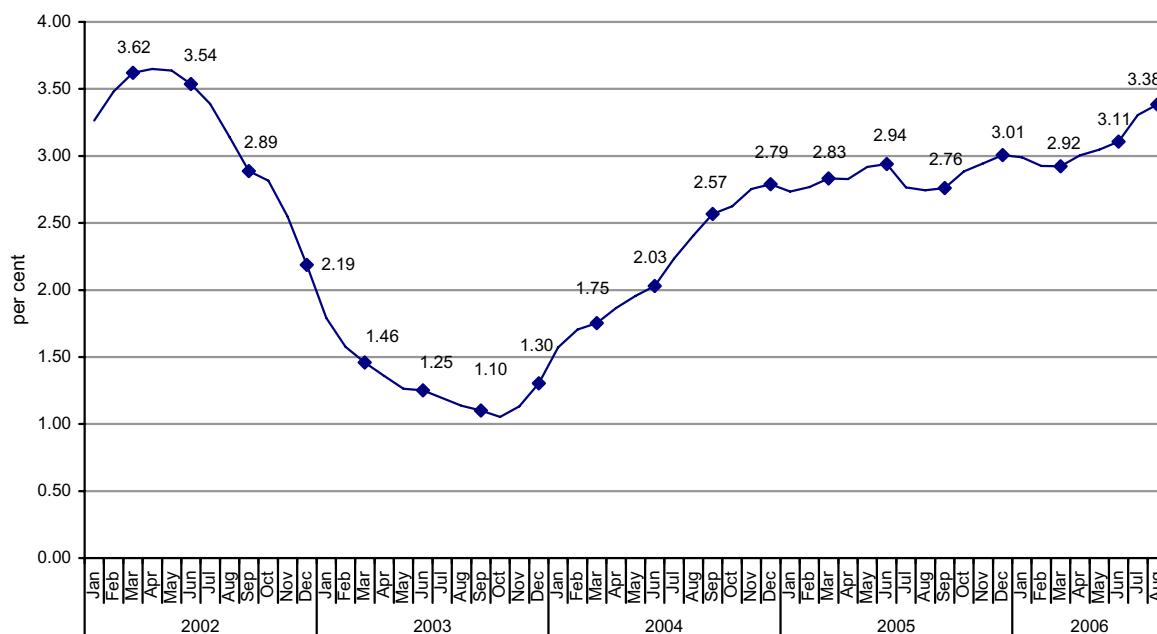
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**Table 1. Inflation Rate**  
12-month average rate

per cent

Month	2002	2003	2004	2005	2006
January	3.27	1.79	1.57	2.74	2.99
February	3.48	1.58	1.70	2.77	2.92
March	3.62	1.46	1.75	2.83	2.92
April	3.65	1.36	1.86	2.83	3.00
May	3.64	1.26	1.95	2.92	3.05
June	3.54	1.25	2.03	2.94	3.11
July	3.39	1.20	2.23	2.77	3.30
August	3.14	1.14	2.41	2.74	3.38
September	2.89	1.10	2.57	2.76	
October	2.82	1.05	2.63	2.89	
November	2.55	1.13	2.75	2.95	
December	2.19	1.30	2.79	3.01	

**Chart 1. Inflation rate - 12-month moving average rate**



**Table 2. RPI Group Indices**  
*December 2002=100*

Group	Weight	Indices			% change Aug06/Aug05	% change Aug06/Jul06
		Aug 2005	Jul 2006	Aug 2006		
Food	23.82	102.71	105.47	104.75	1.99	-0.68
Beverages and Tobacco	6.11	114.99	117.53	117.52	2.20	-0.01
Clothing and Footwear	8.24	77.80	84.60	81.61	4.90	-3.53
Housing	7.57	111.68	116.85	117.10	4.85	0.21
Water, Electricity, Gas and Fuels	2.25	118.92	158.38	158.44	33.23	0.04
H/hold Equip. & House Maint. Cost	7.65	103.92	105.48	105.15	1.18	-0.31
Transport and Communications	23.13	111.53	115.73	115.77	3.80	0.03
Personal Care and Health	6.22	111.94	115.34	115.41	3.10	0.06
Recreation and Culture	8.84	101.59	101.71	101.48	-0.11	-0.23
Other Goods and Services	6.17	115.15	117.64	117.41	1.96	-0.20
All Items Retail Prices Index	100.00	105.83	109.95	109.50	3.47	-0.41

**Table 3. Retail Prices Index**  
*Rates of change (%)*

Group	Weight	Annual rate			Monthly rate		
		Aug 2005	Jul 2006	Aug 2006	Aug 2005	Jul 2006	Aug 2006
Food	<b>23.82</b>	1.17	3.28	1.99	0.58	0.63	-0.68
Beverages and Tobacco	<b>6.11</b>	2.67	2.24	2.20	0.03	0.12	-0.01
Clothing and Footwear	<b>8.24</b>	-1.17	2.55	4.90	-5.70	-11.72	-3.53
Housing	<b>7.57</b>	4.88	4.51	4.85	-0.12	0.03	0.21
Water, Electricity, Gas and Fuels	<b>2.25</b>	17.98	33.18	33.23	0.00	-1.23	0.04
H/hold Equip. & House Maint. Cost	<b>7.65</b>	2.94	1.77	1.18	0.26	0.01	-0.31
Transport and Communication	<b>23.13</b>	2.58	4.85	3.80	1.04	0.87	0.03
Personal Care and Health	<b>6.22</b>	3.34	3.46	3.10	0.41	0.02	0.06
Recreation and Culture	<b>8.84</b>	1.14	0.09	-0.11	-0.03	0.07	-0.23
Other Goods and Services	<b>6.17</b>	2.58	2.17	1.96	0.01	-0.19	-0.20
<b>All Items</b>	<b>100.00</b>	<b>2.50</b>	<b>3.95</b>	<b>3.47</b>	<b>0.06</b>	<b>-0.52</b>	<b>-0.41</b>

**Table 4. All Items Retail Prices Index**  
*December 2002=100*

<b>Month</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
January	99.24	99.12	102.20	104.70	107.06
February	98.57	99.60	102.23	105.33	107.70
March	98.67	100.36	102.66	105.82	109.05
April	98.83	100.40	103.32	106.27	110.32
May	99.44	100.73	103.13	106.69	110.89
June	99.07	100.88	103.62	106.65	110.52
July	99.41	100.54	104.14	105.77	109.95
August	99.80	100.47	103.25	105.83	109.50
September	100.03	100.82	103.56	106.59	
October	100.22	101.91	104.36	108.40	
November	100.13	101.75	104.96	109.01	
December	100.00	102.38	105.27	109.02	

## Methodological Notes

1. A new Retail Prices Index series, with base December 2002, was officially introduced as from January 2003. Price quotations in respect of the goods and services in this new index series started being collected in January 2002. As a result the NSO was in a position to compile the new index series as from January 2002. This new index series may be linked to the old index series by using a linking coefficient of 1.1914.
2. The index is compiled using a large and representative selection of more than 355 separate goods and services for which price movements are regularly measured in 30 localities throughout the country. Around 9,000 separate price quotations are used each month in compiling the index.
3. The Retail Prices Index is the main measure of inflation in Malta. It measures the average change from month to month in the prices of goods and services purchased by most households in Malta. The spending pattern on which the index is based was derived from the Household Budgetary Survey 2000/1.
4. Each monthly News Release on the Retail Prices Index shall include three different measures of inflation as follows:
  - (a) The **monthly rate** compares price levels between the two latest months. Although up-to-date, this can be affected by seasonal and other effects.
  - (b) The **annual rate** measures price changes between the current month and the same month of the previous year. This measure is responsive to recent changes in price levels but can be influenced by one-off effects in either month.
  - (c) The **12-month average rate**, used officially in Malta, overcomes the volatility of the previous two rates by comparing average Retail Prices Indices in the latest 12 months to the average of the previous 12 months. This measure is less sensitive to transient changes in prices.
5. The data in this release are not normally subject to revision.
6. More information on the Retail Prices Index is available from the NSO website at [www.nso.gov.mt](http://www.nso.gov.mt).