

News Release



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Prices

Harmonised Index of Consumer Prices (HICP): September 2006

The Harmonised Index of Consumer Prices increased in September 2006, mainly on account of Food and Non-Alcoholic Beverages and Clothing and Footwear indexes, while the rate of inflation stood at 3.2 per cent.

In September 2006, the Harmonised Index of Consumer Prices went up by 0.2 per cent. This primarily reflected an increase of 2.2 per cent in the Food and Non-Alcoholic Beverages Index, as shown in Table 2, due to price increases in vegetables, fruit and fish. Other marginal price increases were also registered in bread and cereals, meat and mineral water. A 1.9 per cent increase was registered in the Clothing and Footwear Index, mainly due to higher prices of women's and girls' garments. The Recreation and Culture Index rose by 0.9 per cent, mainly due to higher prices in package holidays. Other indexes showing higher prices in September 2006 include those for Communications, Housing, Water, Electricity, Gas and Other Fuels, and Miscellaneous Goods and Services.

The increase in the HICP in September 2006 was attenuated by lower prices in the Furniture, Household Equipment and Routine Maintenance of the House division, reflecting decreases in prices of carpets and other floor coverings, household textiles, major and small household appliances and non-durable household goods. The Transport Index went down by 0.2 per cent over August. The Restaurants and Hotels Index dropped by 1.5 per cent, mainly due to seasonal drops in prices of accommodation services.

The inflation rate in September stood at 3.2 per cent, as shown in Chart 1 ■

Theme:
Economy & Finance

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Table 1. Inflation Rate
12 month average rate

per cent

Month	2002	2003	2004	2005	2006
January	2.8	2.3	2.1	2.6	2.6
February	2.9	2.2	2.1	2.7	2.6
March	3.1	2.2	2.1	2.7	2.6
April	3.1	2.1	2.3	2.6	2.7
May	3.1	2.1	2.4	2.5	2.8
June	3.1	2.1	2.4	2.4	2.9
July	3.0	2.0	2.6	2.3	3.1
August	2.9	2.0	2.6	2.3	3.1
September	2.8	2.0	2.8	2.2	3.2
October	2.8	2.0	2.8	2.2	
November	2.7	1.9	2.8	2.4	
December	2.6	1.9	2.7	2.5	

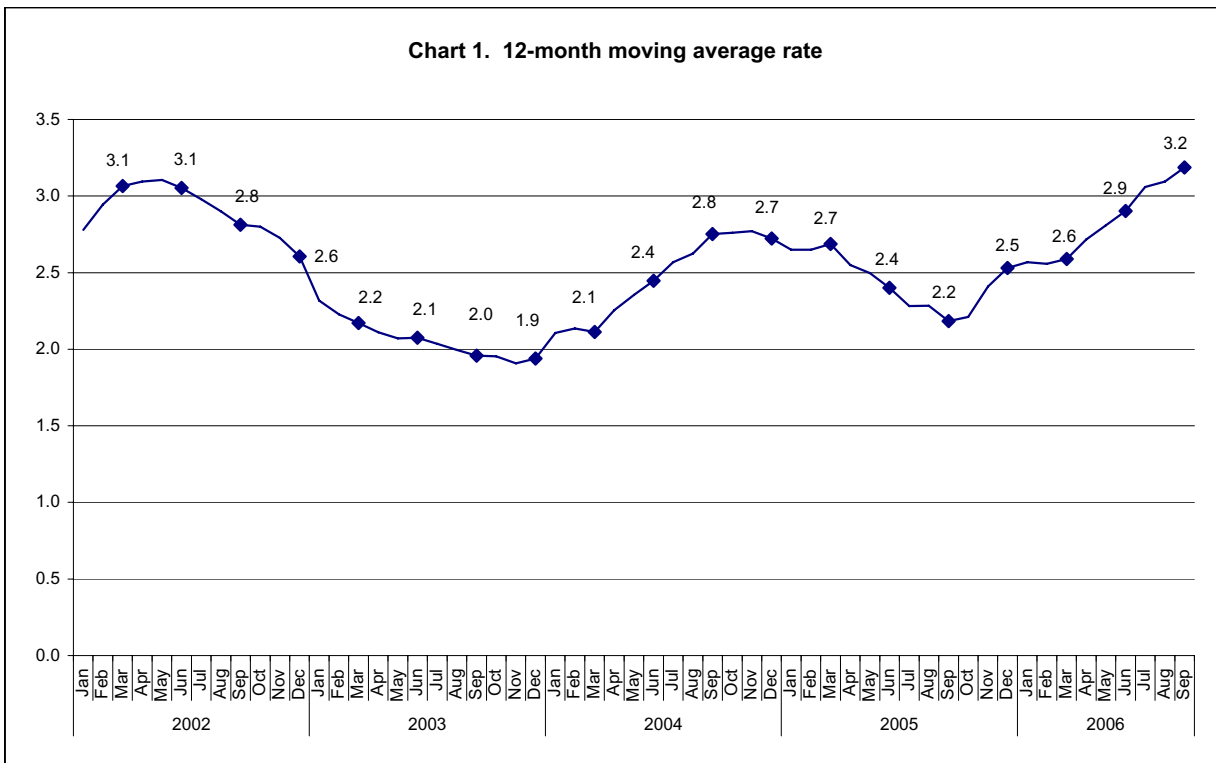


Table 2. HICP Index by Division
Average 2005=100

Division	Weight	Indices			% change Sep 2006/Sep 2005	% change Sep 2006/Aug 2006
		Sep 2005	Aug 2006	Sep 2006		
Food and non-alcoholic beverages	173.94	99.23	100.44	102.62	3.4	2.2
Alcoholic beverages and tobacco	46.57	100.14	100.69	100.65	0.5	0.0
Clothing and Footwear	69.75	94.98	91.08	92.84	-2.3	1.9
Housing, Water, Electricity, Gas & Other Fuels	72.78	99.10	111.22	111.57	12.6	0.3
Furniture, Household Equipment & Routine Maintenance of the House	93.25	100.44	102.04	101.71	1.3	-0.3
Health	27.58	100.52	104.53	104.52	4.0	0.0
Transport	144.21	100.51	107.15	106.92	6.4	-0.2
Communications	23.52	100.27	100.33	100.73	0.5	0.4
Recreation and Culture	103.07	102.66	100.99	101.89	-0.8	0.9
Education	10.04	100.49	103.25	103.25	2.7	0.0
Restaurants and Hotels	181.95	108.94	113.11	111.44	2.3	-1.5
Miscellaneous Goods and Services	53.34	100.64	103.05	103.13	2.5	0.1
All Items	1,000.00	101.66	104.66	104.86	3.1	0.2

Table 3. Harmonised Index of Consumer Prices
Rates of Change (%)

Division	Weight	Annual rate			Monthly rate		
		Sep 2005	Aug 2006	Sep 2006	Sep 2005	Aug 2006	Sep 2006
Food and Non-alcoholic Beverages	173.94	2.9	2.2	3.4	1.0	-0.7	2.2
Alcoholic Beverages and Tobacco	46.57	1.8	0.6	0.5	0.1	0.0	0.0
Clothing and Footwear	69.75	4.1	5.0	-2.3	9.5	-3.5	1.9
Housing, Water, Electricity, Gas and Other Fuels	72.78	7.4	12.3	12.6	0.1	0.2	0.3
Furniture, Household Equipment & Routine Maintenance of the House	93.25	2.5	1.6	1.3	0.0	-0.3	-0.3
Health	27.58	4.9	4.2	4.0	0.2	0.0	0.0
Transport	144.21	1.8	5.9	6.4	-0.7	0.4	-0.2
Communications	23.52	4.0	0.1	0.5	0.0	0.0	0.4
Recreation and Culture	103.07	2.7	-1.5	-0.8	0.2	-0.8	0.9
Education	10.04	2.0	2.7	2.7	0.0	0.0	0.0
Restaurants and Hotels	181.95	-2.0	1.2	2.3	-2.5	0.1	-1.5
Miscellaneous Goods and Services	53.34	3.3	2.9	2.5	0.5	-0.1	0.1
All Items	1,000.00	2.0	3.0	3.1	0.0	-0.3	0.2

Table 4. All Items HICP
Average 2005=100

Month	2002	2003	2004	2005	2006
January	90.98	91.68	94.26	96.05	98.33
February	90.20	92.07	94.33	96.67	98.93
March	90.59	92.78	94.72	97.14	100.00
April	93.48	95.27	98.70	100.65	104.16
May	94.10	95.89	98.86	101.27	104.83
June	94.02	96.05	99.17	101.27	104.57
July	94.96	96.60	99.64	101.35	104.96
August	95.04	96.75	99.17	101.66	104.66
September	94.88	96.52	99.64	101.66	104.86
October	94.65	97.06	99.64	102.60	
November	92.23	93.87	95.66	99.79	
December	92.54	94.80	96.60	99.87	

Explanatory Notes

1. The format of the HICP News Release has been revised in the light of the needs expressed by our users. This new format is expected to be more user friendly apart from furnishing more relevant information. One of the major changes we have implemented is the illustration of tables containing the linked indices instead of the original indices. The former, as the name suggests, preserves the time trend by linking all indices to a common base year. Moreover, this new format contains more graphical illustrations to aid our users in interpreting the time trends.
2. 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.
3. 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.
4. 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:

	COICOP Divisions	RPI Group
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	Transport	Transport and communications
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.

5. 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.
6. 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.
7. 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.
8. Whereas the HICP is subject to revisions, the RPI is, by convention, revised in rare and exceptional circumstances.
9. The HICP is being published with 2005 as its base year. However, 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 1 decimal place as prescribed by Eurostat. This means that there might be slight differences when comparing this new series with the past due to rounding.
10. The HICP is 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.
11. The figures included in this news release might not match exactly the figures published by Eurostat due to rounding.
12. The EU-25 figures are provisional.