

# News Release



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## Prices

### Harmonised Index of Consumer Prices (HICP): February 2007

*The Harmonised Index of Consumer Prices in February 2007 went up mainly on account of an increase in the Clothing and Footwear Index with the rate of inflation now standing at 2.4 per cent.*

In February 2007, the Harmonised Index of Consumer Prices went up by 0.2 per cent over the previous month. This primarily reflected an increase of 3.9 per cent in the Clothing and Footwear Index as shown in Table 2. This was due mainly to increases in the prices of garments. The Health Index registered an increase of 1.7 per cent, mainly due to an increase in medical and paramedical services, therapeutic appliances and equipment, and dental services. A 0.5 per cent increase was also registered in the Transport Index due to higher prices of motor cars and passenger transport by air. The Recreation and Culture Index increased by 0.3 per cent, mainly due to price increases of information-processing units, recording media, games and toys, plants and flowers and package holidays. An increase in the price of beer caused the Alcoholic Beverages and Tobacco Index to go up by 0.2 per cent. A 0.1 per cent rise in the Housing Index was due to higher prices of materials used for the maintenance and repair of dwellings.

The Food and Non-Alcoholic Beverages Index decreased by 0.7 per cent mainly on account of price decreases of seasonal items. During February, both the Furniture, Household Equipment & Routine Maintenance of the House Index and the Miscellaneous Goods and Services Index decreased by 0.1 per cent. Price decreases in respect of carpets, furniture, furnishings and floor coverings caused the Furniture Index to fall. Likewise, the Miscellaneous Goods and Services Index decreased, mainly on account of price reductions recorded for jewellery, watches and financial services.

The twelve-month moving average inflation rate in February dropped to 2.4 per cent from 2.5 per cent in January, as shown in Chart 1 ■

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Economy and Finance/Data](http://europa.europa.eu/eurostat/EN/homepage/economy_and_finance/data.htm)

>Economy and Finance  
>Prices  
>Harmonized indices of consumer prices (HICP)

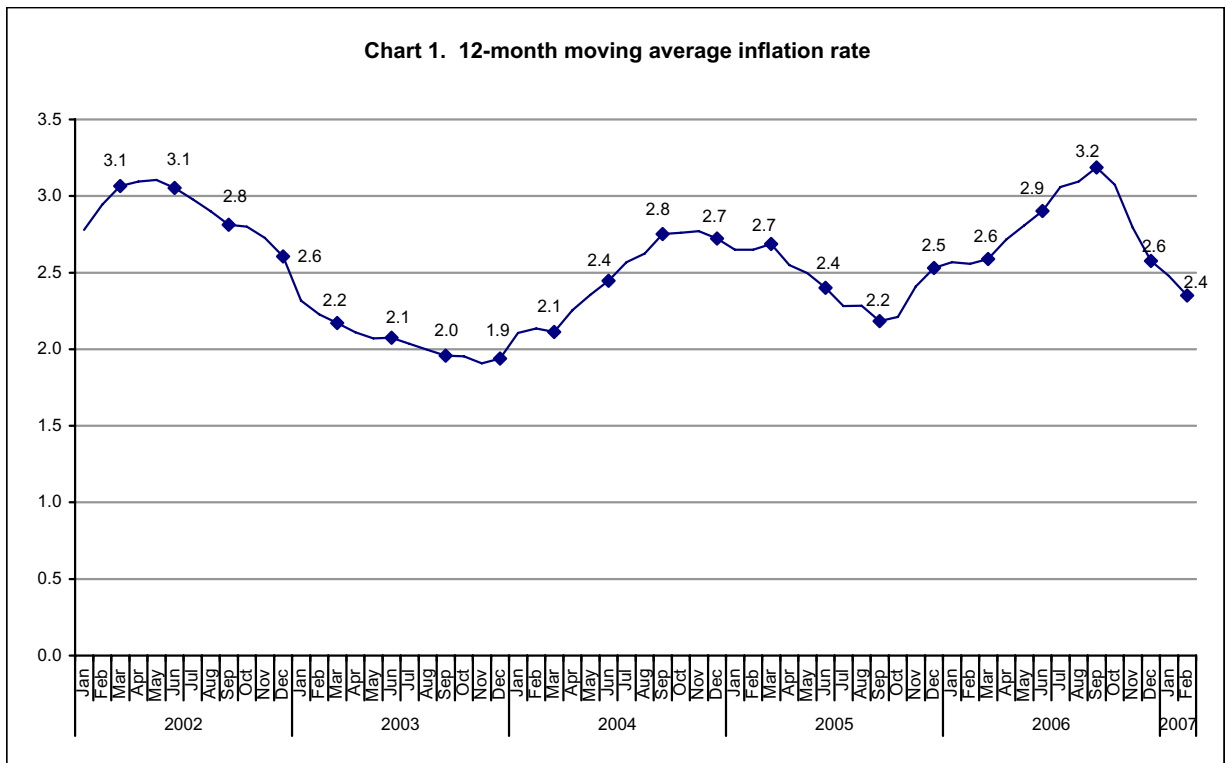
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**Table 1. Inflation Rate**  
12 month average rate

per cent

Month	2003	2004	2005	2006	2007
January	2.3	2.1	2.6	2.6	2.5
February	2.2	2.1	2.7	2.6	2.4
March	2.2	2.1	2.7	2.6	
April	2.1	2.3	2.6	2.7	
May	2.1	2.4	2.5	2.8	
June	2.1	2.4	2.4	2.9	
July	2.0	2.6	2.3	3.1	
August	2.0	2.6	2.3	3.1	
September	2.0	2.8	2.2	3.2	
October	2.0	2.8	2.2	3.1	
November	1.9	2.8	2.4	2.8	
December	1.9	2.7	2.5	2.6	



**Table 2. HICP Index by Division**  
**Average 2005=100**

Division	Weight	Indices			% change Feb 2007/Feb 2006	% change Feb 2007/Jan 2007
		Feb 2006	Jan 2007	Feb 2007		
Food and non-alcoholic beverages	<b>173.94</b>	100.81	103.67	102.97	2.1	-0.7
Alcoholic beverages and tobacco	<b>46.57</b>	100.30	100.74	100.91	0.6	0.2
Clothing and Footwear	<b>69.75</b>	90.14	84.55	87.85	-2.5	3.9
Housing, Water, Electricity, Gas & Other Fuels	<b>72.78</b>	106.85	110.35	110.42	3.3	0.1
Furniture, Household Equipment & Routine Maintenance of the House	<b>93.25</b>	101.43	102.71	102.62	1.2	-0.1
Health	<b>27.58</b>	103.09	104.44	106.17	3.0	1.7
Transport	<b>144.21</b>	103.45	100.62	101.08	-2.3	0.5
Communications	<b>23.52</b>	100.26	100.69	100.69	0.4	0.0
Recreation and Culture	<b>103.07</b>	97.46	100.21	100.51	3.1	0.3
Education	<b>10.04</b>	100.51	103.25	103.25	2.7	0.0
Restaurants and Hotels	<b>181.95</b>	90.80	90.80	90.80	0.0	0.0
Miscellaneous Goods and Services	<b>53.34</b>	102.26	103.40	103.31	1.0	-0.1
All Items	<b>1,000.00</b>	<b>98.93</b>	<b>99.49</b>	<b>99.72</b>	0.8	0.2

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

Division	Weight	Annual rate			Monthly rate		
		Feb 2006	Jan 2007	Feb 2007	Feb 2006	Jan 2007	Feb 2007
Food and Non-alcoholic Beverages	<b>173.94</b>	-1.6	2.7	2.1	-0.1	0.3	-0.7
Alcoholic Beverages and Tobacco	<b>46.57</b>	0.6	0.4	0.6	0.0	0.0	0.2
Clothing and Footwear	<b>69.75</b>	-2.3	-0.9	-2.5	5.6	-18.5	3.9
Housing, Water, Electricity, Gas and Other Fuels	<b>72.78</b>	10.0	3.3	3.3	0.0	-0.6	0.1
Furniture, Household Equipment & Routine Maintenance of the House	<b>93.25</b>	2.40	1.2	1.2	-0.1	0.0	-0.1
Health	<b>27.58</b>	3.8	3.2	3.0	1.9	-0.1	1.7
Transport	<b>144.21</b>	5.8	-2.0	-2.3	0.7	-0.5	0.5
Communications	<b>23.52</b>	0.0	0.4	0.4	0.0	0.0	0.0
Recreation and Culture	<b>103.07</b>	0.1	2.9	3.1	0.1	0.4	0.3
Education	<b>10.04</b>	2.0	2.7	2.7	0.0	0.0	0.0
Restaurants and Hotels	<b>181.95</b>	2.9	0.7	0.0	0.7	0.2	0.0
Miscellaneous Goods and Services	<b>53.34</b>	3.1	2.0	1.0	0.9	0.1	-0.1
All Items	<b>1,000.00</b>	<b>2.3</b>	<b>1.2</b>	<b>0.8</b>	<b>0.6</b>	<b>-1.1</b>	<b>0.2</b>

**Table 4. All Items HICP**  
**Average 2005=100**

<b>Month</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
January	91.68	94.26	96.05	98.33	99.49
February	92.07	94.33	96.67	98.93	99.72
March	92.78	94.72	97.14	100.00	
April	95.27	98.70	100.65	104.16	
May	95.89	98.86	101.27	104.83	
June	96.05	99.17	101.27	104.57	
July	96.60	99.64	101.35	104.96	
August	96.75	99.17	101.66	104.66	
September	96.52	99.64	101.66	104.86	
October	97.06	99.64	102.60	104.30	
November	93.87	95.66	99.79	100.71	
December	94.80	96.60	99.87	100.62	

## 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.