

News Release



Date: 17 January 2007
No. : 7/2007
Time of release: 11.00 hrs

Theme:
Economy & Finance

Compiled by:
Consumer Prices Unit
e-mail: rpi.nso@gov.mt
Tel: 25997319

Prices

Harmonised Index of Consumer Prices (HICP): December 2006

The Harmonised Index of Consumer Prices decreased in December 2006, mainly on account of the Food and Non-Alcoholic Beverages and the Restaurants and Hotels Indexes, with the rate of inflation standing at 2.6 per cent.

In December 2006, the Harmonised Index of Consumer Prices went down by 0.1 per cent. This primarily reflected a decrease of 1.2 per cent in the Food and Non-Alcoholic Beverages Index mainly due to fresh vegetables. A 0.5 per cent price decrease was registered in the Restaurants and Hotels Index, mainly due to accommodation services. The Miscellaneous Goods and Services Index decreased marginally.

During December 2006, the Clothing and Footwear Index went up by 1.6 per cent. The Furniture, Household Equipment and Routine Maintenance of the House and the Recreation and Culture Indexes each increased by 0.5 per cent. These increases mirror price increases in package holidays, newspapers and furniture. The Transport Index increased by 0.2 per cent. This was mainly caused by price increases of motor cars and spare parts. Other marginal increases were registered in alcohol, beverages and tobacco and health.

The twelve-month moving average inflation rate in December dropped to 2.6 per cent from 2.8 per cent in November, 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://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

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

For further assistance send a request from:
http://www.nso.gov.mt/adhoc/adhoc_contact_details.aspx

The monthly calendar of NSO News Releases may be consulted on the Office's website at www.nso.gov.mt

Kindly indicate source when quoting from this release

National Statistics Office
Library & Information Unit
Lascaris, Valletta CMR 02, Malta
Tel: (+356) 25997219
Fax: (+356) 25997205
e-mail: nso@gov.mt
<http://www.nso.gov.mt>

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	3.1
November	2.7	1.9	2.8	2.4	2.8
December	2.6	1.9	2.7	2.5	2.6

Chart 1. 12-month moving average rate

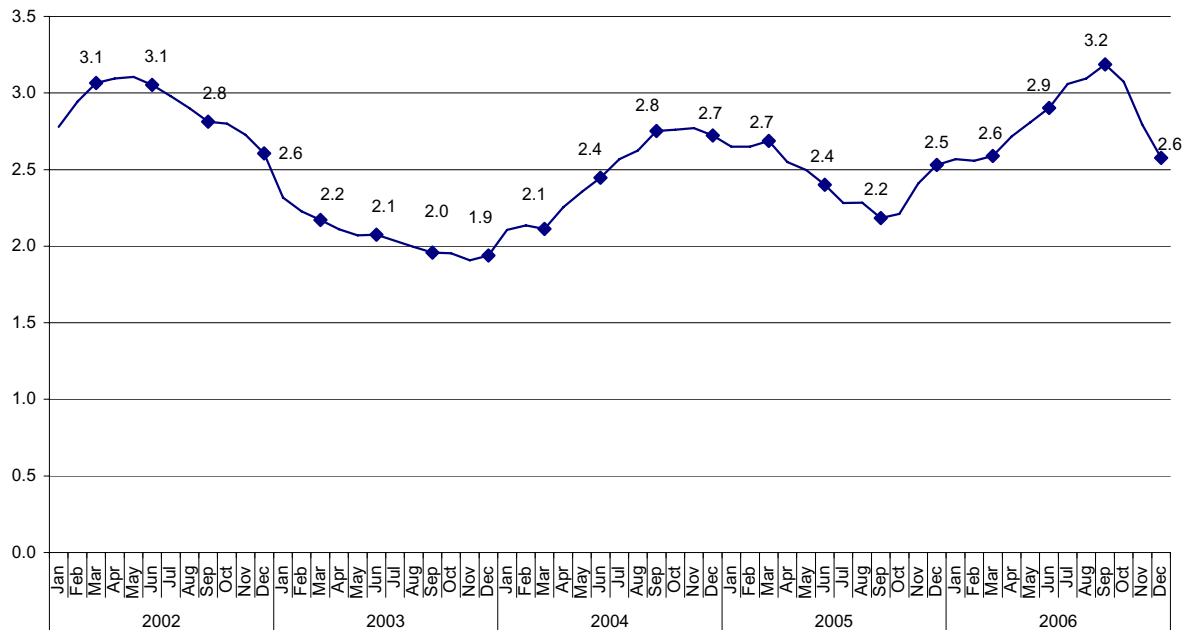


Table 2. HICP Index by division
Average 2005=100

Division	Weight	Indices			% change Dec 2006/Dec 2005	% change Dec 2006/Nov 2006
		Dec 2005	Nov 2006	Dec 2006		
Food and non-alcoholic beverages	173.94	100.09	104.63	103.38	3.3	-1.2
Alcoholic beverages and tobacco	46.57	100.29	100.67	100.75	0.5	0.1
Clothing and Footwear	69.75	110.24	102.11	103.75	-5.9	1.6
Housing, Water, Electricity, Gas & Other Fuels	72.78	106.71	111.02	111.07	4.1	0.0
Furniture, Household Equipment & Routine Maintenance of the House	93.25	101.07	102.19	102.67	1.6	0.5
Health	27.58	101.34	104.47	104.53	3.1	0.1
Transport	144.21	103.69	100.98	101.14	-2.5	0.2
Communications	23.52	100.27	100.70	100.70	0.4	0.0
Recreation and Culture	103.07	99.23	99.36	99.85	0.6	0.5
Education	10.04	100.49	103.25	103.25	2.7	0.0
Restaurants and Hotels	181.95	89.75	91.15	90.66	1.0	-0.5
Miscellaneous Goods and Services	53.34	101.20	103.38	103.28	2.1	-0.1
All Items	1,000.00	99.87	100.71	100.62	0.8	-0.1

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

Division	Weight	Annual rate			Monthly rate		
		Dec 2005	Nov 2006	Dec 2006	Dec 2005	Nov 2006	Dec 2006
Food and Non-alcoholic Beverages	173.94	1.0	3.9	3.3	-0.6	1.1	-1.2
Alcoholic Beverages and Tobacco	46.57	2.0	0.4	0.5	0.0	0.0	0.1
Clothing and Footwear	69.75	0.0	-6.2	-5.9	1.3	2.4	1.6
Housing, Water, Electricity, Gas and Other Fuels	72.78	14.2	4.1	4.1	0.1	-0.6	0.0
Furniture, Household Equipment & Routine Maintenance of the House	93.25	2.3	1.3	1.6	0.2	0.2	0.5
Health	27.58	5.7	3.2	3.1	0.1	-0.2	0.1
Transport	144.21	5.8	-2.8	-2.5	-0.1	-4.2	0.2
Communications	23.52	3.2	0.4	0.4	0.0	0.0	0.0
Recreation and Culture	103.07	2.5	0.2	0.6	0.1	-2.8	0.5
Education	10.04	2.0	2.7	2.7	0.0	0.0	0.0
Restaurants and Hotels	181.95	1.5	1.6	1.0	0.1	-14.5	-0.5
Miscellaneous Goods and Services	53.34	3.1	2.5	2.1	0.3	0.3	-0.1
All Items	1,000.00	3.4	0.9	0.8	0.1	-3.4	-0.1

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	104.30
November	92.23	93.87	95.66	99.79	100.71
December	92.54	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.