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In December, the annual rate of inflation as measured by the harmonised index of consumer prices stood at 1.0 per cent.

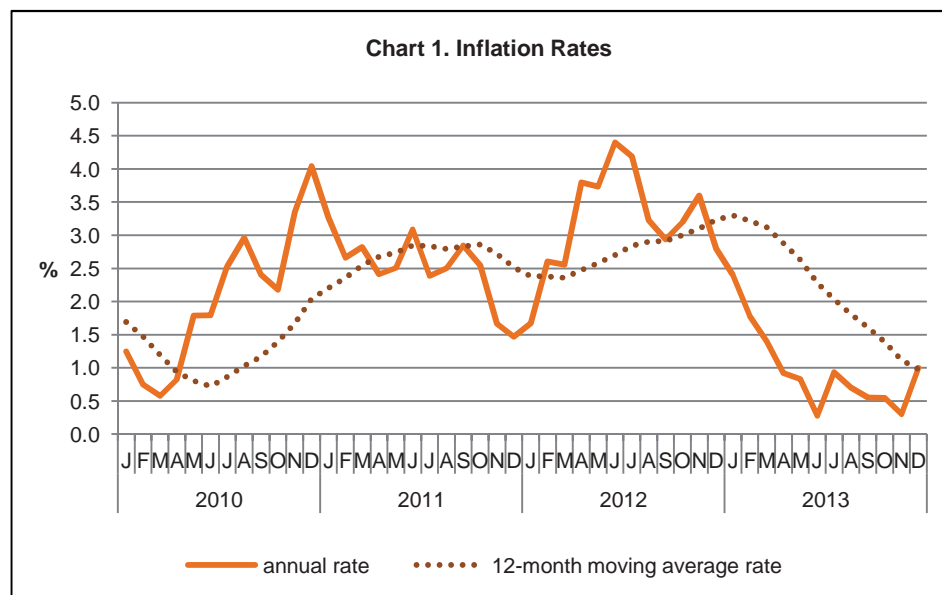
## Harmonised Index of Consumer Prices (HICP): December 2013

In the month under review, the annual rate of inflation stood at 1.0 per cent, as shown in Chart 1. A year earlier the annual rate was 2.8 per cent (Table 4).

The largest upward impacts on annual inflation were recorded in the Alcoholic Beverages and Tobacco Index (0.4 percentage points), the Food and Non-alcoholic Beverages Index (0.3 percentage points), and the Recreation and Culture Index (0.2 percentage points). These were mainly due to price rises in cigarettes, some vegetables and package holidays respectively (Table 5).

The biggest downward impact was brought about by the Transport Index (-0.3 percentage points), mainly due to price reductions of motor vehicles (Table 5).

In December 2013, the twelve-month moving average rate was 1.0 per cent ■



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**Table 1. Harmonised Index of Consumer Prices by Division**  
*Average 2005=100*

Division	Weight	Indices			Annual Rate (%)	Monthly Rate (%)
		Dec 2012	Nov 2013	Dec 2013	Dec 2013	Dec 2013
Food and Non-alcoholic Beverages	<b>169.04</b>	141.98	142.92	144.61	1.9	1.2
Alcoholic Beverages and Tobacco	<b>34.56</b>	121.21	129.17	134.98	11.4	4.5
Clothing and Footwear	<b>61.57</b>	106.75	106.99	107.85	1.0	0.8
Housing, Water, Electricity, Gas and Other Fuels	<b>83.30</b>	147.88	148.79	148.82	0.6	0.0
Furniture, Household Equipment and Routine Maintenance of the House	<b>80.34</b>	110.96	112.25	112.99	1.8	0.7
Health	<b>41.90</b>	120.99	122.68	122.84	1.5	0.1
Transport	<b>142.46</b>	118.41	115.40	115.83	-2.2	0.4
Communication	<b>41.66</b>	73.83	73.41	73.67	-0.2	0.4
Recreation and Culture	<b>99.64</b>	99.55	101.30	101.44	1.9	0.1
Education	<b>13.62</b>	143.92	154.72	154.72	7.5	0.0
Restaurants and Hotels	<b>159.64</b>	109.15	111.02	108.76	-0.4	-2.0
Miscellaneous Goods and Services	<b>72.27</b>	119.31	120.80	120.22	0.8	-0.5
<b>All Items</b>	<b>1,000.00</b>	<b>117.57</b>	<b>118.53</b>	<b>118.75</b>	<b>1.0</b>	<b>0.2</b>

**Table 2. Harmonised Index of Consumer Prices**  
*Rates of change (%)*

Division	Weight	Annual rate			Monthly rate		
		Dec 2012	Nov 2013	Dec 2013	Dec 2012	Nov 2013	Dec 2013
Food and Non-alcoholic Beverages	<b>169.04</b>	6.2	0.9	1.9	0.2	0.2	1.2
Alcoholic Beverages and Tobacco	<b>34.56</b>	2.7	7.2	11.4	0.6	0.5	4.5
Clothing and Footwear	<b>61.57</b>	1.8	2.4	1.0	2.2	5.9	0.8
Housing, Water, Electricity, Gas and Other Fuels	<b>83.30</b>	0.8	0.8	0.6	0.2	0.0	0.0
Furniture, Household Equipment and Routine Maintenance of the House	<b>80.34</b>	3.2	1.3	1.8	0.1	0.1	0.7
Health	<b>41.90</b>	2.6	1.5	1.5	0.1	0.3	0.1
Transport	<b>142.46</b>	4.3	-1.9	-2.2	0.6	-0.5	0.4
Communication	<b>41.66</b>	-10.7	-8.3	-0.2	-7.7	-0.2	0.4
Recreation and Culture	<b>99.64</b>	2.4	1.2	1.9	-0.5	-1.0	0.1
Education	<b>13.62</b>	1.7	7.5	7.5	0.0	0.0	0.0
Restaurants and Hotels	<b>159.64</b>	3.6	-1.6	-0.4	-3.2	-13.3	-2.0
Miscellaneous Goods and Services	<b>72.27</b>	1.8	1.8	0.8	0.5	0.5	-0.5
<b>All Items</b>	<b>1,000.00</b>	<b>2.8</b>	<b>0.3</b>	<b>1.0</b>	<b>-0.6</b>	<b>-2.2</b>	<b>0.2</b>

**Table 3. All Items HICP**  
*Average 2005=100*

<b>Month</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
January	107.79	111.31	113.17	115.89
February	108.13	111.01	113.90	115.93
March	109.60	112.69	115.57	117.22
April	112.40	115.11	119.48	120.58
May	113.72	116.57	120.92	121.93
June	113.63	117.14	122.24	122.95
July	114.29	117.02	121.92	123.06
August	115.41	118.30	122.12	122.92
September	114.57	117.83	121.29	121.96
October	113.89	116.79	120.49	121.15
November	112.21	114.08	118.23	118.53
December	112.76	114.42	117.57	118.75

Table 4. Inflation rates

per cent

	Month	12-month moving average rate	Annual rate
2010	January	1.7	1.2
	February	1.5	0.7
	March	1.2	0.6
	April	0.9	0.8
	May	0.8	1.8
	June	0.7	1.8
	July	0.9	2.5
	August	1.0	3.0
	September	1.2	2.4
	October	1.4	2.2
	November	1.7	3.4
	December	2.0	4.0
2011	January	2.2	3.3
	February	2.4	2.7
	March	2.5	2.8
	April	2.7	2.4
	May	2.7	2.5
	June	2.8	3.1
	July	2.8	2.4
	August	2.8	2.5
	September	2.8	2.8
	October	2.9	2.5
	November	2.7	1.7
	December	2.5	1.5
2012	January	2.4	1.7
	February	2.4	2.6
	March	2.4	2.6
	April	2.5	3.8
	May	2.6	3.7
	June	2.7	4.4
	July	2.8	4.2
	August	2.9	3.2
	September	2.9	2.9
	October	3.0	3.2
	November	3.1	3.6
	December	3.2	2.8
2013	January	3.3	2.4
	February	3.2	1.8
	March	3.1	1.4
	April	2.9	0.9
	May	2.6	0.8
	June	2.3	0.6
	July	2.0	0.9
	August	1.8	0.7
	September	1.6	0.6
	October	1.4	0.5
	November	1.1	0.3
	December	1.0	1.0

Table 5. Impact on annual inflation \*

Index	Weight	Annual Rate December 2013	Impact (percentage points) December 2013
Food and Non-alcoholic Beverages	169.04	1.9	0.3
Alcoholic Beverages and Tobacco	34.56	11.4	0.4
Clothing and Footwear	61.57	1.0	0.1
Housing, Water, Electricity, Gas and Other Fuels	83.30	0.6	0.1
Furniture, Household Equipment and Routine Maintenance of the House	80.34	1.8	0.1
Health	41.90	1.5	0.1
Transport	142.46	-2.2	-0.3
Communication	41.66	-0.2	0.0
Recreation and Culture	99.64	1.9	0.2
Education	13.62	7.5	0.1
Restaurants and Hotels	159.64	-0.4	-0.1
Miscellaneous Goods and Services	72.27	0.8	0.1

\* See methodological note 11

## Methodological 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 the European Monetary Union would meet the inflation convergence criterion, and later acting as the measure of inflation used by the European Central Bank to assess price stability in the euro area. The main requirement 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 Price 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 weight and fixed base index while the HICP is a chain index whose weights are reviewed on an annual basis, every January. Additionally, 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 consumption by purpose). The way in which this broadly maps to the RPI groupings is shown in the following table:

	COICOP Division	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 communication
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.

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 utilise 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. 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 one decimal place as prescribed by Eurostat. This means that there might be slight differences when comparing this series with the past due to rounding.
8. The HICP is published by the NSO and Eurostat on a monthly basis. However, Eurostat also publishes aggregate HICP indices for the euro area 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.
9. The HICP weighting scheme is annually updated in accordance with Commission Regulation (EU) No. 1114/2010.
10. The treatment of seasonal items is in accordance with the Commission Regulation (EC) No. 330/2009.
11. An impact is a measure showing the change in the inflation due to the inclusion of an index. The impact takes account of both the weight and the annual rate of inflation by division. Figures may not add up due to rounding.