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In December, the annual rate of inflation as measured by the Harmonised Index of Consumer Prices stood at 0.4 per cent.

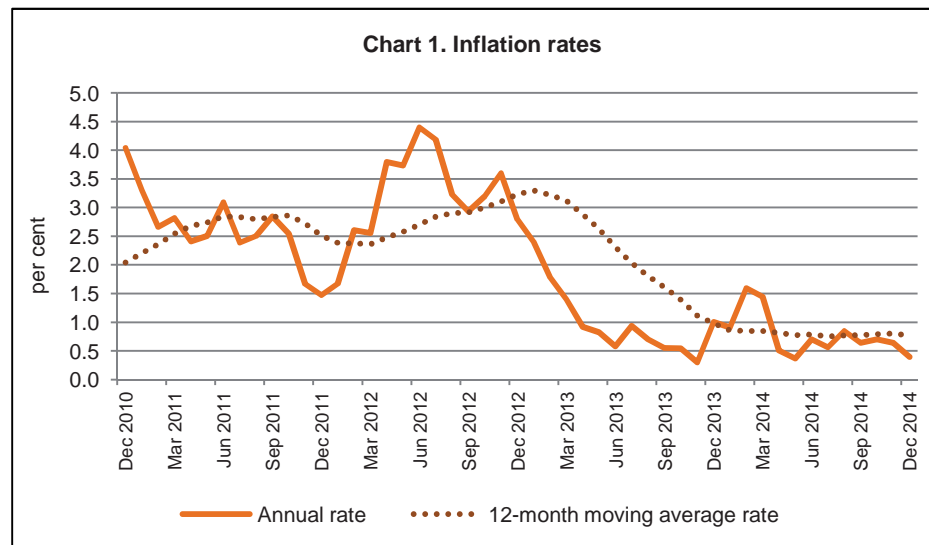
Harmonised Index of Consumer Prices (HICP): December 2014

In the month under review, the annual rate of inflation stood at 0.4 per cent, as shown in Chart 1. A year earlier the annual rate was 1.0 per cent.

The largest upward impacts on annual inflation were brought about by the Restaurants and Hotels Index (0.5 percentage points), the Recreation and Culture Index (0.2 percentage points), and the Clothing and Footwear Index (0.2 percentage points). This was mainly due to higher prices for restaurant services, recreational and sporting services, and garments respectively (Table 5).

The main downward impact was recorded in the Housing, Water, Electricity, Gas and Other Fuels Index (-0.8 percentage points), mainly due to lower electricity rates (Table 5).

The twelve-month moving average rate was 0.8 per cent ■



Compiled by:

Unit A5: Price Statistics

Directorate A: Economic Statistics

Further information on data:

Mr Keith BORG

T. +356 2599 7312

E. keith.borg@gov.mt

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Issued by: **External Cooperation and Communication Unit, National Statistics Office, Lascaris, Valletta VLT 2000, Malta.**

T. +356 2599 7219 F. +356 2599 7205 E. nso@gov.mt

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

Division	Weight	Indices			Annual rate (%)	Monthly rate (%)
		Dec 2013	Nov 2014	Dec 2014	Dec 2014	Dec 2014
Food and Non-alcoholic Beverages	170.06	144.61	144.89	144.41	-0.1	-0.3
Alcoholic Beverages and Tobacco	34.26	134.98	136.44	139.61	3.4	2.3
Clothing and Footwear	61.44	107.85	108.53	110.60	2.5	1.9
Housing, Water, Electricity, Gas and Other Fuels	84.27	148.82	135.46	135.33	-9.1	-0.1
Furniture, Household Equipment and Routine Maintenance of the House	78.14	112.99	112.78	112.88	-0.1	0.1
Health	40.78	122.84	123.32	123.36	0.4	0.0
Transport	142.19	115.83	115.80	116.15	0.3	0.3
Communication	38.40	73.67	73.39	73.14	-0.7	-0.3
Recreation and Culture	101.64	101.44	103.11	103.34	1.9	0.2
Education	15.42	154.72	164.67	164.67	6.4	0.0
Restaurants and Hotels	160.73	108.76	113.71	111.81	2.8	-1.7
Miscellaneous Goods and Services	72.67	120.22	122.16	122.56	1.9	0.3
All Items	1,000.00	118.75	119.29	119.22	0.4	-0.1

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

Division	Weight	Annual rate			Monthly rate		
		Dec 2013	Nov 2014	Dec 2014	Dec 2013	Nov 2014	Dec 2014
Food and Non-alcoholic Beverages	170.06	1.9	1.4	-0.1	1.2	1.5	-0.3
Alcoholic Beverages and Tobacco	34.26	11.4	5.6	3.4	4.5	0.1	2.3
Clothing and Footwear	61.44	1.0	1.4	2.5	0.8	2.7	1.9
Housing, Water, Electricity, Gas and Other Fuels	84.27	0.6	-9.0	-9.1	0.0	0.0	-0.1
Furniture, Household Equipment and Routine Maintenance of the House	78.14	1.8	0.5	-0.1	0.7	0.1	0.1
Health	40.78	1.5	0.5	0.4	0.1	0.0	0.0
Transport	142.19	-2.2	0.3	0.3	0.4	-0.8	0.3
Communication	38.40	-0.2	0.0	-0.7	0.4	0.4	-0.3
Recreation and Culture	101.64	1.9	1.8	1.9	0.1	0.0	0.2
Education	15.42	7.5	6.4	6.4	0.0	0.7	0.0
Restaurants and Hotels	160.73	-0.4	2.4	2.8	-2.0	-13.6	-1.7
Miscellaneous Goods and Services	72.67	0.8	1.1	1.9	-0.5	0.4	0.3
All Items	1,000.00	1.0	0.6	0.4	0.2	-2.2	-0.1

Table 3. All Items HICP by month and year
Average 2005=100

Month	2011	2012	2013	2014
January	111.31	113.17	115.89	116.94
February	111.01	113.90	115.93	117.78
March	112.69	115.57	117.22	118.91
April	115.11	119.48	120.58	121.19
May	116.57	120.92	121.93	122.38
June	117.14	122.24	122.95	123.81
July	117.02	121.92	123.06	123.75
August	118.30	122.12	122.92	123.96
September	117.83	121.29	121.96	122.74
October	116.79	120.49	121.15	122.00
November	114.08	118.23	118.53	119.29
December	114.42	117.57	118.75	119.22

**Table 4. Inflation rates by month and year
(%)**

	Month	Annual rate	12-month moving average rate
2011	January	3.3	2.2
	February	2.7	2.4
	March	2.8	2.5
	April	2.4	2.7
	May	2.5	2.7
	June	3.1	2.8
	July	2.4	2.8
	August	2.5	2.8
	September	2.8	2.8
	October	2.5	2.9
	November	1.7	2.7
	December	1.5	2.5
2012	January	1.7	2.4
	February	2.6	2.4
	March	2.6	2.4
	April	3.8	2.5
	May	3.7	2.6
	June	4.4	2.7
	July	4.2	2.8
	August	3.2	2.9
	September	2.9	2.9
	October	3.2	3.0
	November	3.6	3.1
	December	2.8	3.2
2013	January	2.4	3.3
	February	1.8	3.2
	March	1.4	3.1
	April	0.9	2.9
	May	0.8	2.6
	June	0.6	2.3
	July	0.9	2.0
	August	0.7	1.8
	September	0.6	1.6
	October	0.5	1.4
	November	0.3	1.1
	December	1.0	1.0
2014	January	0.9	0.9
	February	1.6	0.8
	March	1.4	0.8
	April	0.5	0.8
	May	0.4	0.8
	June	0.7	0.8
	July	0.6	0.8
	August	0.8	0.8
	September	0.6	0.8
	October	0.7	0.8
	November	0.6	0.8
	December	0.4	0.8

Table 5. Impact on annual inflation *

Index	Weight	Annual rate December 2014	Impact (percentage points) December 2014
Food and Non-alcoholic Beverages	170.06	-0.1	0.0
Alcoholic Beverages and Tobacco	34.26	3.4	0.1
Clothing and Footwear	61.44	2.5	0.2
Housing, Water, Electricity, Gas and Other Fuels	84.27	-9.1	-0.8
Furniture, Household Equipment and Routine Maintenance of the House	78.14	-0.1	0.0
Health	40.78	0.4	0.0
Transport	142.19	0.3	0.0
Communication	38.40	-0.7	0.0
Recreation and Culture	101.64	1.9	0.2
Education	15.42	6.4	0.1
Restaurants and Hotels	160.73	2.8	0.5
Miscellaneous Goods and Services	72.67	1.9	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 ECB 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	Alcoholic Beverages and Tobacco	Beverages and tobacco
03	Clothing and Footwear	Clothing and footwear
04	Housing, Water, Electricity, Gas and Other Fuels	Housing Water, electricity, gas and fuels
05	Furniture, Household Equipment and Routine Maintenance of the House	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 (HBS). 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 expenditure 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 Commission Regulation (EC) No. 330/2009.
11. An impact is a measure showing the change in inflation due to the inclusion of an index. The impact takes account of both the weight and the annual rate of inflation by division.
12. Figures may not add up due to rounding.