

In July, the annual rate of inflation as measured by the Harmonised Index of Consumer Prices went down to 0.9 per cent, from 1.0 per cent registered in June 2016.

## Harmonised Index of Consumer Prices (HICP): July 2016

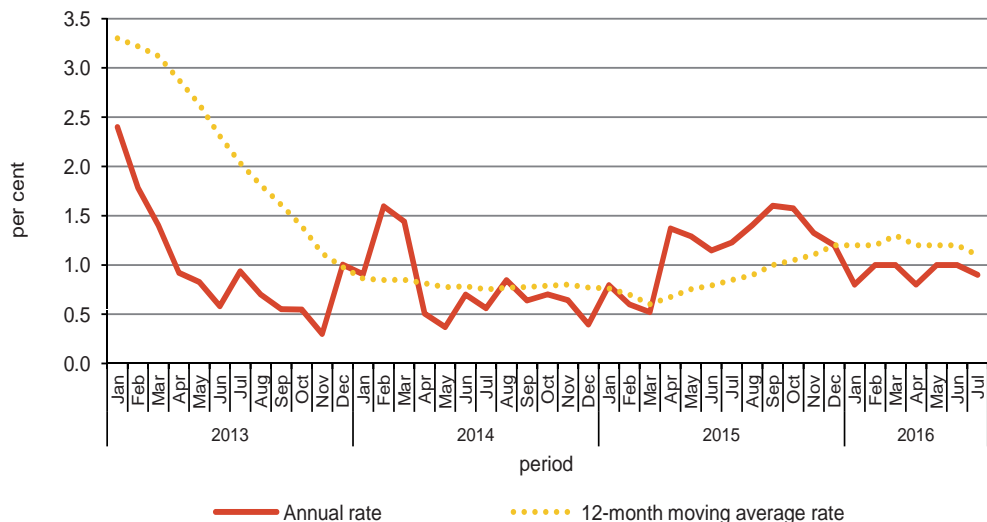
On a monthly basis, the rate of -0.1 per cent was registered in July 2016, down from 1.1 per cent registered in June 2016 (Table 2).

The largest upward impacts on annual inflation were registered in the Restaurants and Hotels Index (0.48 percentage points), the Food and Non-alcoholic Beverages Index (0.33 percentage points) and Alcoholic Beverages and Tobacco Index (0.16 percentage points). These were mainly due to higher prices of restaurant services (including cafeterias and the like), vegetables and tobacco respectively (Table 5).

The Recreation and Culture Index (0.33 percentage points), the Transport Index (0.11 percentage points) and the Communication Index (0.07 percentage points) registered the largest downward impacts on annual inflation, mainly reflecting lower prices for package holidays, fuel and mobile phones respectively (Table 5).

The twelve-month moving average rate was 1.1 per cent (Table 4) ■

Chart 1. Inflation rates



Compiled by:

**Unit A5: Price Statistics**

Further information on data:

**Ms Denise MAGRIN**

T. +356 2599 7312

E. denise.magrin@gov.mt

**Table 1. HICP by period and division**  
Average 2015=100\*

Division	Weight	Indices			Percentage change	
		Jul 2015	Jun 2016	Jul 2016	Annual (Jul 2016/Jul 2015)	Monthly (Jul 2016/Jun 2016)
Food and Non-alcoholic Beverages	<b>166.89</b>	99.13	101.07	101.19	2.1	0.1
Alcoholic Beverages and Tobacco	<b>37.37</b>	99.68	103.97	104.23	4.6	0.3
Clothing and Footwear	<b>59.33</b>	96.65	105.90	96.10	-0.6	-9.3
Housing, Water, Electricity, Gas and Other Fuels	<b>81.64</b>	100.18	101.19	101.37	1.2	0.2
Furniture, Household Equipment and Routine Maintenance of the House	<b>76.79</b>	100.64	102.79	102.58	1.9	-0.2
Health	<b>43.24</b>	100.11	101.90	101.99	1.9	0.1
Transport	<b>139.90</b>	101.26	98.83	100.43	-0.8	1.6
Communication	<b>37.68</b>	100.19	98.66	98.24	-1.9	-0.4
Recreation and Culture	<b>100.48</b>	101.32	97.77	97.95	-3.3	0.2
Education	<b>17.88</b>	99.39	105.29	105.29	5.9	0.0
Restaurants and Hotels	<b>161.90</b>	112.59	113.95	115.29	2.4	1.2
Miscellaneous Goods and Services	<b>76.90</b>	100.05	101.84	101.22	1.2	-0.6
<b>All Items</b>	<b>1,000.00</b>	<b>102.33</b>	<b>103.36</b>	<b>103.29</b>	<b>0.9</b>	<b>-0.1</b>

\* See methodological note 7

**Table 2. HICP by period and division**  
*Percentage change (%)*

Division	Weight	Annual			Monthly		
		Jul 2015	Jun 2016	Jul 2016	Jul 2015	Jun 2016	Jul 2016
Food and Non-alcoholic Beverages	<b>166.89</b>	2.4	2.0	2.1	0.1	-0.9	0.1
Alcoholic Beverages and Tobacco	<b>37.37</b>	5.0	4.5	4.6	0.2	0.0	0.3
Clothing and Footwear	<b>59.33</b>	0.9	0.3	-0.6	-8.5	1.8	-9.3
Housing, Water, Electricity, Gas and Other Fuels	<b>81.64</b>	0.8	1.0	1.2	0.0	0.0	0.2
Furniture, Household Equipment and Routine Maintenance of the House	<b>76.79</b>	1.5	2.2	1.9	0.1	0.1	-0.2
Health	<b>43.24</b>	1.8	2.0	1.9	0.2	0.1	0.1
Transport	<b>139.90</b>	-1.8	-1.5	-0.8	1.0	1.0	1.6
Communication	<b>37.68</b>	-1.0	-1.6	-1.9	-0.1	0.1	-0.4
Recreation and Culture	<b>100.48</b>	1.9	-2.8	-3.3	0.7	0.3	0.2
Education	<b>17.88</b>	6.5	5.9	5.9	0.0	0.0	0.0
Restaurants and Hotels	<b>161.90</b>	1.4	2.7	2.4	1.4	4.9	1.2
Miscellaneous Goods and Services	<b>76.90</b>	2.7	1.6	1.2	-0.2	0.2	-0.6
<b>All Items</b>	<b>1,000.00</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.0</b>	<b>1.1</b>	<b>-0.1</b>

**Table 3. All Items HICP by month and year**  
Average 2015=100\*

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2013</b>	94.67	94.70	95.75	98.50	99.60	100.43	100.52	100.41	99.63	98.96	96.82	97.01
<b>2014</b>	95.52	96.21	97.14	99.00	99.97	101.14	101.09	101.26	100.26	99.66	97.45	97.38
<b>2015</b>	96.29	96.75	97.64	100.36	101.26	102.30	102.33	102.68	101.85	101.23	98.74	98.60
<b>2016</b>	97.07	97.69	98.64	101.19	102.24	103.36	103.29					

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

Rates over time	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2013</b>												
Annual rate	2.4	1.8	1.4	0.9	0.8	0.6	0.9	0.7	0.6	0.5	0.3	1.0
12-month moving average rate	3.3	3.2	3.1	2.9	2.6	2.3	2.0	1.8	1.6	1.4	1.1	1.0
<b>2014</b>												
Annual rate	0.9	1.6	1.4	0.5	0.4	0.7	0.6	0.8	0.6	0.7	0.6	0.4
12-month moving average rate	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>2015</b>												
Annual rate	0.8	0.6	0.5	1.4	1.3	1.1	1.2	1.4	1.6	1.6	1.3	1.2
12-month moving average rate	0.8	0.7	0.6	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.2
<b>2016</b>												
Annual rate	0.8	1.0	1.0	0.8	1.0	1.0	0.9					
12-month moving average rate	1.2	1.2	1.3	1.2	1.2	1.2	1.1					

\* See methodological note 7

**Table 5. Impact on annual inflation by division \***

<b>Division</b>	<b>Weight</b>	<b>Annual rate July 2016</b>	<b>Impact (percentage points) July 2016</b>
Food and Non-alcoholic Beverages	<b>166.89</b>	2.1	0.33
Alcoholic Beverages and Tobacco	<b>37.37</b>	4.6	0.16
Clothing and Footwear	<b>59.33</b>	-0.6	-0.03
Housing, Water, Electricity, Gas and Other Fuels	<b>81.64</b>	1.2	0.09
Furniture, Household Equipment and Routine Maintenance of the House	<b>76.79</b>	1.9	0.14
Health	<b>43.24</b>	1.9	0.08
Transport	<b>139.90</b>	-0.8	-0.11
Communication	<b>37.68</b>	-1.9	-0.07
Recreation and Culture	<b>100.48</b>	-3.3	-0.33
Education	<b>17.88</b>	5.9	0.10
Restaurants and Hotels	<b>161.90</b>	2.4	0.48
Miscellaneous Goods and Services	<b>76.90</b>	1.2	0.09

\* 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 Eurostat in conjunction with the EU Member States.
2. The HICP is used to compare inflation rates across the European Union. It has been used by the European Central Bank (ECB) as the measure of price stability across the euro area since January 1999. 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 can be 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:

	<b>COICOP Division</b>	<b>RPI Group</b>
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 such 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 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 2015 as its base year. The previous series with reference 2005=100 is discontinued. Commission Regulation 2015/2010 provides the legal basis for updating the HICP reference year from 2005=100 to 2015=100. 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 required by Eurostat. Therefore, there might be slight differences when comparing this series with past data due to rounding.
8. The HICP is published by the NSO and Eurostat on a monthly basis. 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 into account both the weight and the annual rate of inflation by division.
12. Figures may not add up due to rounding.
13. More information relating to this news release may be accessed at:

Statistical Concepts: <http://nso.gov.mt/metadata/concepts.aspx>

Metadata: <http://nso.gov.mt/metadata/reports.aspx?id=9>

Classifications: <http://nso.gov.mt/metadata/classificationdetails.aspx?id=COICOP 1999>