

Consumer price index (CPI) July 2012

Monthly inflation in July increased +0.2%, while the annual inflation was +4.4%

Monthly inflation measured by Consumer price index increased +0.2% in July. This was influenced mostly by the increase in prices of telephone and telefax equipment and telephone and telefax services; electricity; accommodation services; fuels and lubricants for personal transport equipment.

When observing the main groups, monthly growth of prices was noticed in the following groups: Restaurants and hotels (+3.9%); Communications (+3.8%); Housing, water, electricity, gas and other fuels (+1.1%); Miscellaneous goods and services (+0.9%); Transport (+0.5%); Health (+0.3%); Recreation and culture (+0.2%); Clothing and footwear (+0.1%); Furnishing, household equipment and routine household maintenance (+0.1%); while a decrease in prices is recorded in group Food and non-alcoholic beverages (-1.1%). Prices in the groups: Alcoholic beverages and tobacco and Education, remain at the same level as in the previous month.

Positive annual inflation rates in July were observed in the following groups: Alcoholic beverages and tobacco (+11.5%); Housing, water, electricity, gas and other fuels (+10.9%); Hotels and restaurants (+10.4%); Food and non-alcoholic beverages (+4.8%); Recreation and culture (+4.3%); Communications (+4.0%); Health (+1.9%); Miscellaneous goods and services (+0.6%); Transport (+0.4%); Furnishing, household equipment and routine household maintenance (+0.2%); while negative annual inflation rates were observed in the following groups: Education (-0.2%); Clothing and footwear (-0.1%).

**Chart 1. Consumer price index (CPI),
 annual rates**

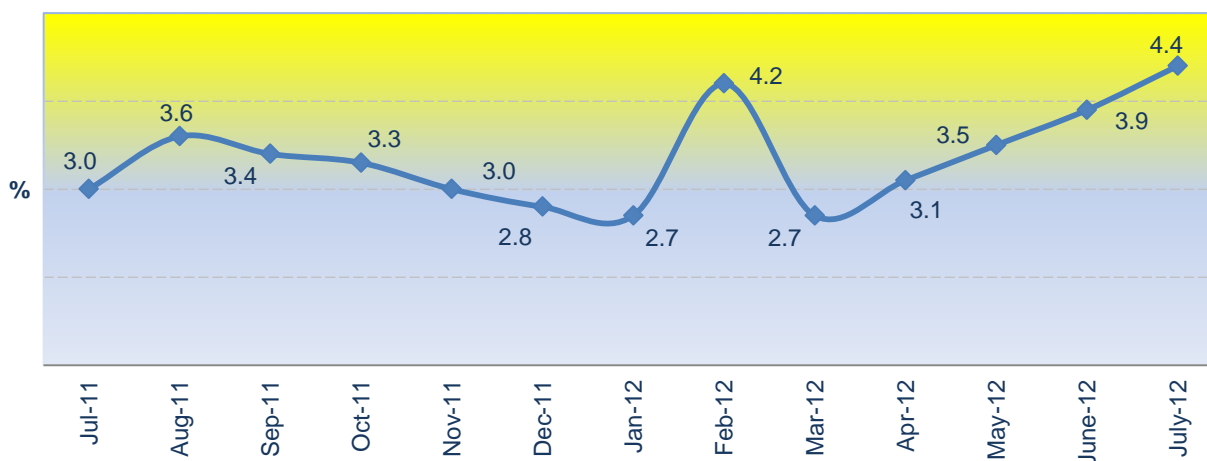


Table 1. Inflation rates measured by CPI, in %

Name	Weights ‰	<u>Jul 2012</u> Ø 2011	<u>Jul 2012</u> Jun 2012	<u>Jul 2012</u> Jul 2011	<u>Jan-Jul 2012</u> Jan-Jul 2011
00 CPI - total	1 000.0	4.2	0.2	4.4	3.7
01 Food and non-alcoholic beverages	375.5	3.8	-1.1	4.8	3.0
02 Alcoholic beverages and tobacco	37.2	16.8	0.0	11.5	20.9
03 Clothing and footwear	76.1	-0.1	0.1	-0.1	-1.3
04 Housing, water, electricity, gas and other fuels	128.7	8.8	1.1	10.9	9.0
05 Furnishing, household equipment and routine household maintenance	49.4	0.2	0.1	0.2	0.3
06 Health	28.0	3.3	0.3	1.9	5.3
07 Transport	121.6	1.2	0.5	0.4	2.9
08 Communications	55.8	4.4	3.8	4.0	1.3
09 Recreation and culture	32.1	3.9	0.2	4.3	1.0
10 Education	21.8	-0.2	0.0	-0.2	-0.3
11 Restaurants and hotels	29.6	11.1	3.9	10.4	2.5
12 Miscellaneous goods and services	44.2	-0.3	0.9	0.6	1.6

Chart 2. Impacts of divisions on the annual inflation rate (in %), July 2012

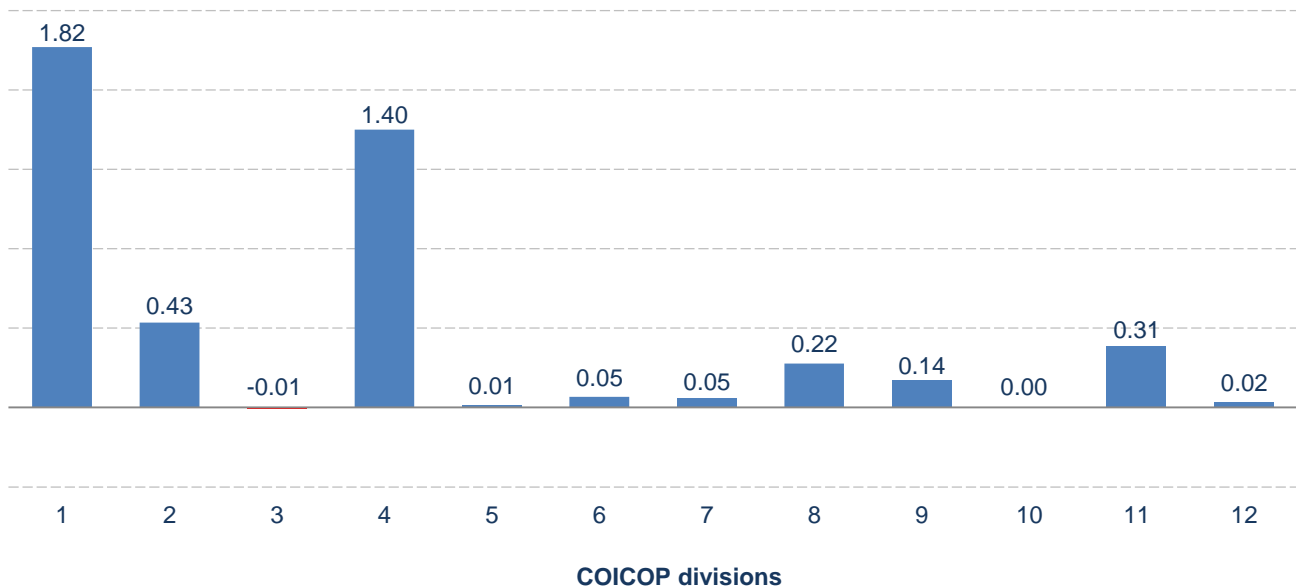


Table 2. Inflation rates presented by divisions, groups measured by CPI, in %

COICOP /HICP	Name	Weights %	Jul 2012 Ø 2011	Jul 2012 Jun 2012	Jul 2012 Jul 2011	Jan-Jul 2012 Jan-Jul 2011
00	CPI – total	1 000.0	4.2	0.2	4.4	3.7
01	FOOD AND NON-ALCOHOLIC BEVERAGES	375.5	3.8	-1.1	4.8	3.0
011	Food	354.6	3.6	-1.2	4.7	2.9
012	Non-alcoholic beverages	20.9	7.8	-0.1	7.5	4.5
02	ALCOHOLIC BEVERAGES AND TOBACCO	37.2	16.8	0.0	11.5	20.9
021	Alcoholic beverages	15.4	4.7	0.1	4.5	5.3
022	Tobacco	21.8	25.4	0.0	16.5	32.4
03	CLOTHING AND FOOTWEAR	76.1	-0.1	0.1	-0.1	-1.3
031	Clothing	44.5	1.0	-0.1	1.8	-0.8
032	Footwear	31.6	-1.8	0.4	-2.8	-2.1
04	Housing, water, electricity, gas and other fuels	128.7	8.8	1.1	10.9	9.0
041	Actual rentals	11.1	0.4	0.0	0.4	0.5
043	Maintenance and repair of the dwelling	8.8	-4.2	-1.9	-3.9	-3.6
044	Water supply and miscellaneous services relating to the dwelling	13.9	18.2	0.0	34.1	35.9
045	Electricity, gas, and other fuels	94.9	9.2	1.7	9.8	7.0
05	Furnishing, household equipment and routine household maintenance	49.4	0.2	0.1	0.2	0.3
051	Furniture and furnishings, carpets and other floor coverings	12.6	-0.8	0.1	0.5	-1.3
052	Household textiles	2.5	12.7	0.4	11.5	11.0
053	Household appliances	15.1	0.0	0.0	-0.1	0.0
054	Glassware, tableware and household utensils	1.9	1.1	0.0	0.8	1.5
055	Tools and equipment for house and garden	1.6	2.6	2.2	1.3	3.0
056	Goods and services for routine household maintenance	15.7	-1.7	-0.2	-1.8	-1.0
06	HEALTH	28.0	3.3	0.3	1.9	5.3
061	Medical products, appliances and equipment	20.0	3.6	0.4	1.7	5.9

062	Out-patient services	8.0	2.5	0.0	2.5	3.6
07	TRANSPORT	121.6	1.2	0.5	0.4	2.9
071	Purchase of vehicles	13.3	0.0	0.0	-0.1	0.0
072	Operation of personal transport equipment	68.3	0.6	0.9	0.1	2.8
073	Transport services	40.0	2.5	0.0	0.9	4.0
08	COMMUNICATIONS	55.8	4.4	3.8	4.0	1.3
081	Postal services	2.1	6.0	0.0	0.0	10.9
08.x	Telephone and telefax equipment and telephone and telefax services	53.7	4.5	4.0	4.1	1.2
09	RECREATION AND CULTURE	32.1	3.9	0.2	4.3	1.0
091	Audio-visual, photographic and information processing equipment	8.3	-6.7	-0.2	-6.4	-3.9
092	Other major durables for recreation and culture	0.3	0.9	0.0	0.7	0.6
093	Other recreational items and equipment, gardens and pets	3.3	0.1	0.0	0.0	-0.3
094	Recreational and cultural services	1.3	7.7	7.3	6.7	1.6
095	Newspapers, books and stationery	18.9	9.2	0.0	9.9	3.5
10	EDUCATION	21.8	-0.2	0.0	-0.2	-0.3
10x	Pre-primary and primary, secondary tertiary and education not definable by level	21.8	-0.2	0.0	-0.2	-0.3
11	RESTAURANTS AND HOTELS	29.6	11.1	3.9	10.4	2.5
111	Catering services	20.6	0.9	0.6	0.2	-0.5
112	Accommodation services	9.0	38.9	11.3	38.7	12.1
12	MISCELLANEOUS GOODS AND SERVICES	44.2	-0.3	0.9	0.6	1.6
121	Personal care	37.2	0.1	1.4	1.0	1.7
123	Personal effects n.e.c.	3.2	-5.5	-4.4	-4.3	1.1
124	Social protection	1.0	0.0	0.0	0.0	0.0
125	Insurance	0.6	3.9	0.0	5.4	5.8
126	Financial services n.e.c.	2.0	-0.7	0.0	-0.7	-0.4
127	Other services n.e.c.	0.2	-1.2	0.0	0.0	-1.9

Table 3. Groups with most important impacts on monthly inflation rate, July 2012

COICOP/ HICP	Group	Weights ‰	Monthly inflation %	Influence in percentage points
08.x	Telephone and telefax equip. and telephone and telefax services	53.7	4.0	0.21
045	Electricity, gas and other fuels	94.9	1.7	0.16
112	Accommodation services	9.0	11.3	0.10
072	Operation of personal transport equipment	68.3	0.9	0.06
121	Personal care	37.2	1.4	0.05
111	Catering services	20.6	0.6	0.01
032	Footwear	31.6	0.4	0.01
094	Recreational and cultural services	1.3	7.3	0.01
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056	Goods and services for routine household maintenance	15.7	-0.2	0.00
123	Personal effects n.e.c.	3.2	-4.4	-0.01
043	Maintenance and repair of the dwelling	8.8	-1.9	-0.02
011	Food	354.6	-1.2	-0.41

Table 4. Groups with most important impacts on annual inflation rate, July 2012

COICOP/ HICP	Group	Weights ‰	Annual inflation %	Influence in percentage points
011	Food	354.6	4.7	1.66
045	Electricity, gas and other fuels	94.9	9.8	0.93
044	Water supply and miscellaneous services relating to the dwelling	13.9	34.1	0.47
022	Tobacco	21.8	16.5	0.36
112	Accommodation services	9.0	38.7	0.35
08.x	Telephone and telefax equip. and telephone and telefax services	53.7	4.1	0.22
095	Newspapers, books and stationery	18.9	9.9	0.19
012	Non-alcoholic beverages	20.9	7.5	0.16
031	Clothing	44.5	1.8	0.08
021	Alcoholic beverages	15.4	4.5	0.07
121	Personal care	37.2	1.0	0.04
073	Transport services	40.0	0.9	0.04
061	Medical products, appliances and equipment	20.0	1.7	0.03
052	Household textiles	2.5	11.5	0.03
062	Out-patient services	8.0	2.5	0.02
094	Recreational and cultural services	1.3	6.7	0.01
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123	Personal effects n.e.c.	3.2	-4.3	-0.01
056	Goods and services for routine household maintenance	15.7	-1.8	-0.03
043	Maintenance and repair of the dwelling	8.8	-3.9	-0.03
091	Audio-visual, photographic and information processing equipment	8.3	-6.4	-0.05
032	Footwear	31.6	-2.8	-0.09

METHODOLOGICAL NOTES

Consumer price indices (CPI) are the most important short-term indicators and the basis for taking decisions in the area of economy and finance. Since January 2009 they are used as *official measure of inflation* in Montenegro.

Consumer price index is used for harmonising wages and salaries in accordance with collective contracts, pensions, and social benefits. Also, it is used for deflating certain macroeconomic aggregates in national accounts statistics and for other purposes.

Consumer price index is defined as measure of average price change of fixed good and service basket bought by household for the purposes of satisfying its needs.

Weights used for calculating the consumer price index express a relative importance of selected products and services in total household consumption at the domestic territory.

Product list is regularly revised so that its representative status related to consumption structure and consumer habits is preserved.

The data are published on 15th in a month for the previous month, as well as via our website www.monstat.org

The influence of certain groups on inflation rate indicates how much that group has influenced on the total inflation rate. The influence depends on weights and inflation rate of given group. The weights represents a relative share of household consumption of certain groups or subgroup of products in the total consumption. Consequently, weights have an important role in the calculation of inflation rate. They represent "importance" of certain product group in the total household consumption in certain reference period. For example, if during certain month prices of bread increases for 10%, this will influence for approx. 0.5% ($10 \times 5\% = 0.5\%$ - since the share of bread in the total expenses is 5%). But, if the prices of medicaments increase 12%, this will increase the inflation for 0.06% ($12 \times 0.5\% = 0.06\%$ - since the share of medicaments in the total expenses 0.5%). This simple example indicates how much large influence have weights on the final number presenting the inflation.

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