

Consumer price index (CPI) December 2016^(p)

Average annual inflation in 2016 was -0.2%

Monthly inflation measured by Consumer price index was 0.2% in December 2016, while the annual inflation was 0.9%. This was influenced mostly by increase in prices of: vegetables; fuels and lubricants for personal transport equipment; pharmaceutical products; solid fuels; meat; spirits. Consumer prices in period January-December 2016 compared to the same period of previous year were lower for 0.2% in average.

Observing the main groups monthly growth of prices was noticed in the following groups: Health (1.7%); Transport (0.7%); Food and non-alcoholic beverages (0.4%); Alcoholic beverages and tobacco (0.4%); Housing, water, electricity, gas and other fuels (0.2%), while a drop of prices was recorded in the following groups: Clothing and footwear (-1.2%); Restaurants and hotels (-0.4%); Furnishing, household equipment and routine household maintenance (-0.3%).

Prices of other products and services mostly remained unchanged.

Positive annual inflation rates in December 2016 were observed in the following groups: Health (3.7%); Alcoholic beverages and tobacco (3.1%); Restaurants and hotels (2.7%); Transport (1.5%); Clothing and footwear (1.4%); Housing, water, electricity, gas and other fuels (1.1%); Food and non-alcoholic beverages (0.4%); Communications (0.3%); Recreation and culture (0.1%), while negative annual inflation rates were observed in the following groups: Furnishing, household equipment and routine household maintenance (-1.4%); Miscellaneous goods and service (-0.5%).

Chart 1. Annual and monthly rates of inflation (CPI)

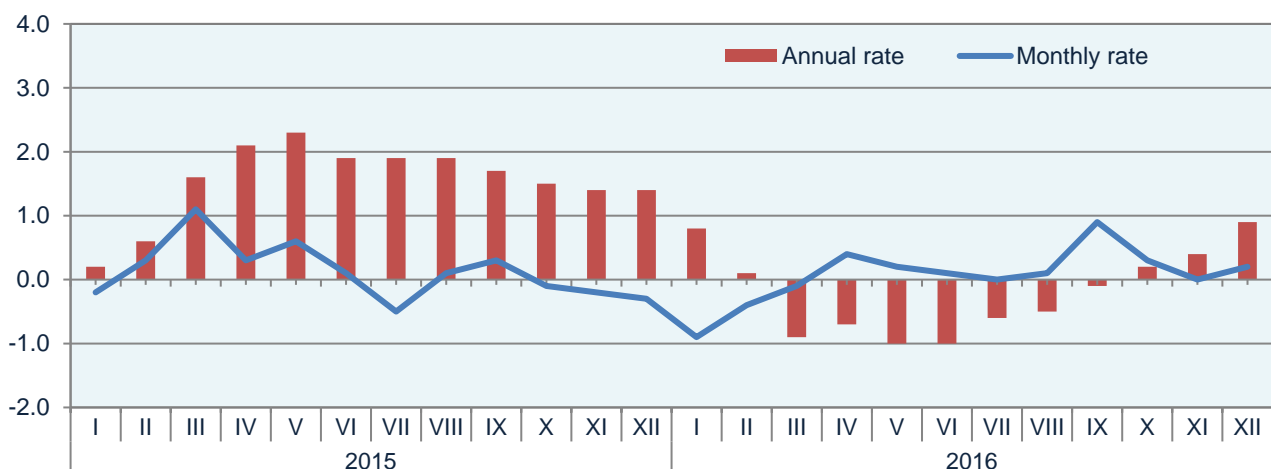


Table 1. Inflation rates measured by CPI, in %

	Name	Weights ‰	Dec 2016 Ø 2015	Dec 2016 Nov 2016	Dec 2016 Dec 2015	Jan-Dec 2016 Jan-Dec 2015
00	CPI - total	1000.0	1.0	0.2	0.9	-0.2
01	Food and non-alcoholic beverages	351.7	0.2	0.4	0.4	-0.7
02	Alcoholic beverages and tobacco	38.6	4.0	0.4	3.1	2.8
03	Clothing and footwear	85.1	6.6	-1.2	1.4	3.0
04	Housing, water, electricity, gas and other fuels	155.3	1.9	0.2	1.1	0.3
05	Furnishing, household equipment and routine household maintenance	41.2	-1.0	-0.3	-1.4	-0.2
06	Health	40.9	4.4	1.7	3.7	2.1
07	Transport	107.0	-2.7	0.7	1.5	-4.7
08	Communications	49.9	0.5	0.0	0.3	0.4
09	Recreation and culture	33.2	0.3	0.0	0.1	0.1
10	Education	19.3	0.0	0.0	0.0	0.0
11	Restaurants and hotels	31.3	2.2	-0.4	2.7	2.4
12	Miscellaneous goods and services	46.5	-0.6	0.0	-0.5	-0.7

**Chart 2. Impacts of divisions on the annual inflation rate (in %),
December 2016**

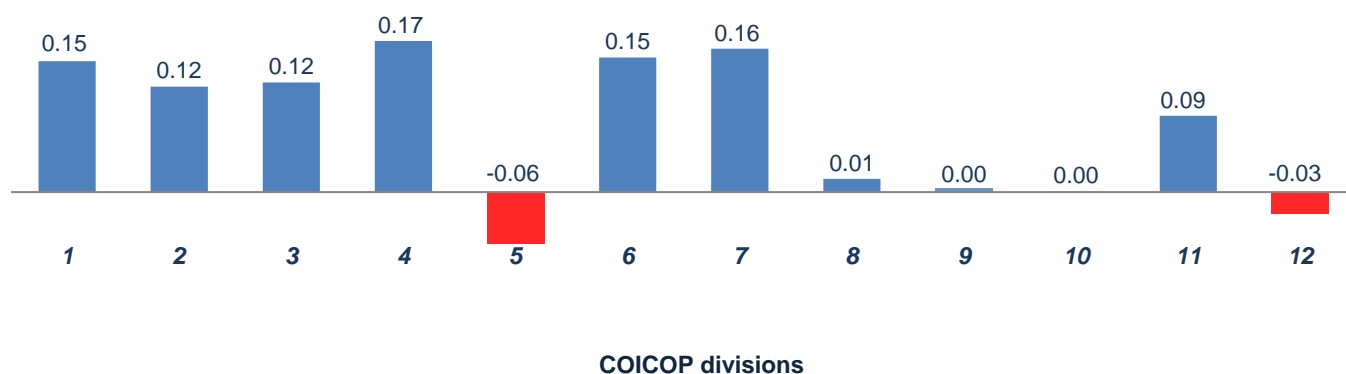


Table 2. Groups with most important impacts on monthly inflation rate, December 2016

COICOP/ HICP	Group	Weights ‰	Monthly inflation %	Influence in percentage points
0117	Vegetables	35.4	2.4	0.09
0722	Fuels and lubricants for personal transport equipment	47.4	1.5	0.07
0611	Pharmaceutical products	24.9	2.9	0.07
0454	Solid fuels	40.5	0.7	0.03
0112	Meat	93.8	0.3	0.03
0211	Spirits	6.6	2.0	0.01
0114	Milk, cheese and eggs	75.6	0.2	0.01
0111	Bread and cereals	56.6	0.2	0.01
0119	Food products n.e.c.	8.1	0.7	0.01
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1120	Accommodation services	7.7	-1.2	-0.01
0531	Major household appliances whether electric or not	7.1	-1.6	-0.01
0312	Garments	48.1	-1.0	-0.05
0321	Shoes and other footwear	36.2	-1.4	-0.05

Table 3. Groups with most important impacts on annual inflation rate, December 2016

COICOP/ HICP	Group	Weights ‰	Annual inflation %	Influence in percentage points
0454	Solid fuels	7.5	40.5	0.30
0722	Fuels and lubricants for personal transport equipment	3.5	47.4	0.16
0611	Pharmaceutical products	6.1	24.9	0.15
0114	Milk, cheese and eggs	1.8	75.6	0.13
0321	Shoes and other footwear	2.5	36.2	0.09
0220	Tobacco	3.3	25.7	0.08
1120	Accommodation services	9.4	7.7	0.07
0118	Sugar, jam, honey, chocolate and confectionery	3.6	16.8	0.06
0116	Fruit	3.0	20.1	0.06
0113	Fish and seafood	5.6	9.8	0.06
0441	Water supply	2.9	11.4	0.03
0312	Garments	0.6	48.1	0.03
0111	Bread and cereals	0.5	56.6	0.03
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0561	Non-durable household goods	15.2	-2.4	-0.04
0723	Maintenance and repair of personal transport equipment	14.4	-3.1	-0.04
1213	Other appliances, articles and products for personal care	25.6	-1.7	-0.04
0451	Electricity	71.1	-2.1	-0.15
0117	Vegetables	35.4	-6.5	-0.23

METODOLOGICAL NOTES

Consumer price indices (CPI) are one of the most important macroeconomic 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.

Data are published according [Data publishing calendar](#).

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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