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Consumer price index (CPI) August 2017

Monthly inflation in August 2017 was 0.5%

Monthly inflation measured by Consumer price index was 0.5% in August 2017, while the annual inflation was 2.8%. This was influenced mostly by increase in prices of: tobacco; vegetables; solid fuels; fuels and lubricants for personal transport equipment; meat; flour and other cereals, etc. Growth rate of consumer prices in period January-August 2017 compared with the same period of previous year was 2.4%.

Observing the main groups monthly growth of prices was noticed in the following groups: Alcoholic beverages and tobacco (10.6%); Housing, water, electricity, gas and other fuels (0.9%); Transport (0.4%); Food and non-alcoholic beverages (0.2%); Communication (0.1%); Miscellaneous goods and service (0.1%), while a drop of prices was recorded in the following groups: Clothing and footwear (-1.3%); Restaurants and hotels (-1.0%); Furnishing, household equipment and routine household maintenance (-0.3%).

Prices of other products and services mostly remained unchanged.

Positive annual inflation rates in August 2017 were observed in the following groups: Alcoholic beverages and tobacco (15.0%); Transport (6.5%); Restaurants and hotels (6.1%); Housing, water, electricity, gas and other fuels (3.1%); Health (2.5%); Clothing and footwear (2.4%); Miscellaneous goods and service (2.2%); Food and non-alcoholic beverages (1.4%); Communication (0.2%), while negative annual inflation rates were observed in the following groups: Recreation and culture (-0.7%) and Furnishing, household equipment and routine household maintenance (-0.2%).

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

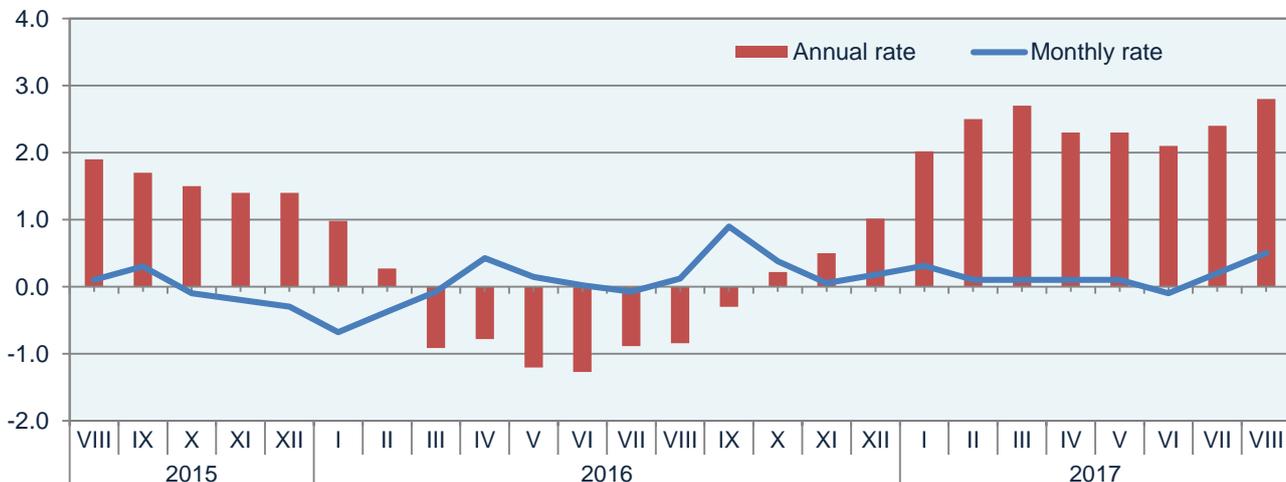


Table 1. Inflation rates measured by CPI, in %

	Name	Weights ‰	Aug 2017 Ø 2015	Aug 2017 Jul 2017	Aug 2017 Aug 2016	Jan-Aug 2017 Jan-Aug 2016
00	CPI - total	1000.0	2.3	0.5	2.8	2.4
01	Food and non-alcoholic beverages	351.7	0.9	0.2	1.4	2.3
02	Alcoholic beverages and tobacco	38.6	18.9	10.6	15.0	5.0
03	Clothing and footwear	85.1	1.1	-1.3	2.4	1.5
04	Housing, water, electricity, gas and other fuels	155.3	2.1	0.9	3.1	1.9
05	Furnishing, household equipment and routine household maintenance	41.2	-1.0	-0.3	-0.2	-1.4
06	Health	40.9	5.0	0.0	2.5	3.1
07	Transport	107.0	1.4	0.4	6.5	7.0
08	Communications	49.9	0.6	0.1	0.2	0.2
09	Recreation and culture	33.2	-0.4	0.0	-0.7	-0.4
10	Education	19.3	0.0	0.0	0.0	0.0
11	Restaurants and hotels	31.3	13.8	-1.0	6.1	4.5
12	Miscellaneous goods and services	46.5	1.4	0.1	2.2	1.3

Chart 2. Impacts of divisions on the annual inflation rate (in %), August 2017

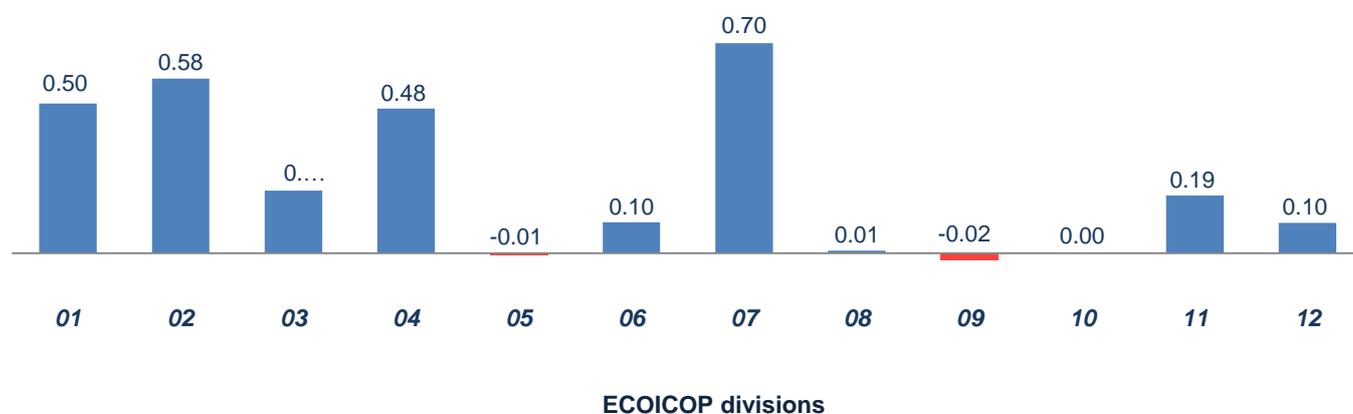


Table 2. Groups with most important impacts on monthly inflation rate, August 2017

ECOICOP	Group	Weights ‰	Monthly inflation %	Influence in percentage points
0220	Tobacco	25.7	16.0	0.41
0117	Vegetables	35.4	3.6	0.13
0454	Solid fuels	40.5	3.1	0.13
0722	Fuels and lubricants for personal transport equipment	47.4	0.7	0.03
0112	Meat	93.8	0.3	0.02
0111	Bread and cereals	56.6	0.3	0.02
0114	Milk, cheese and eggs	75.6	-0.2	-0.02
1120	Accommodation services	7.7	-3.5	-0.03
0312	Garments	48.1	-0.6	-0.03
0116	Fruit	20.1	-2.2	-0.04
0321	Shoes and other footwear	36.2	-2.2	-0.08

Table 3. Groups with most important impacts on annual inflation rate, August 2017

ECOICOP	Group	Weights ‰	Annual inflation %	Influence in percentage points
0722	Fuels and lubricants for personal transport equipment	47.4	14.7	0.69
0220	Tobacco	25.7	21.3	0.55
0454	Solid fuels	40.5	7.8	0.32
0112	Meat	93.8	2.4	0.22
0312	Garments	48.1	3.8	0.18
0114	Milk, cheese and eggs	75.6	1.8	0.13
0451	Electricity	71.1	1.8	0.13
0116	Fruit	20.1	5.9	0.12
1120	Accommodation services	7.7	13.6	0.10
0611	Pharmaceutical products	24.9	4.2	0.10
1111	Restaurants, cafes and the like	23.6	3.1	0.07
1213	Other appliances, articles and products for personal care	25.6	2.7	0.07
0432	Services for the maintenance and repair of the dwelling	8.4	6.4	0.05
0121	Coffee, tea and cocoa	7.6	4.1	0.03
0117	Vegetables	35.4	0.9	0.03
0911	Equipment for the reception, recording and reproduction of sound and pictures	3.4	-5.5	-0.02
0411	Actual rentals paid by tenants and other actual rentals	13.8	-1.4	-0.02
0115	Oils and fats	16.2	-1.2	-0.02
0561	Non-durable household goods	15.2	-1.7	-0.03
0122	Mineral waters, soft drinks, fruit and vegetable juices	11.7	-2.7	-0.03

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% ($10 \cdot 5\% = 0.5\%$ - 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% ($12 \cdot 0.5\% = 0.06\%$ - 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.

Issued and printed by Statistical Office of Montenegro (MONSTAT)
81000 Podgorica, IV Proleterske 2
Phone (+382) 20 230-811; Fax (+382) 20 230-814

The release prepared by:

Miroslav PEJOVIĆ

Tel. +382-20-231-004

e-mail: contact@monstat.org