

## Consumer price index (CPI) December 2014

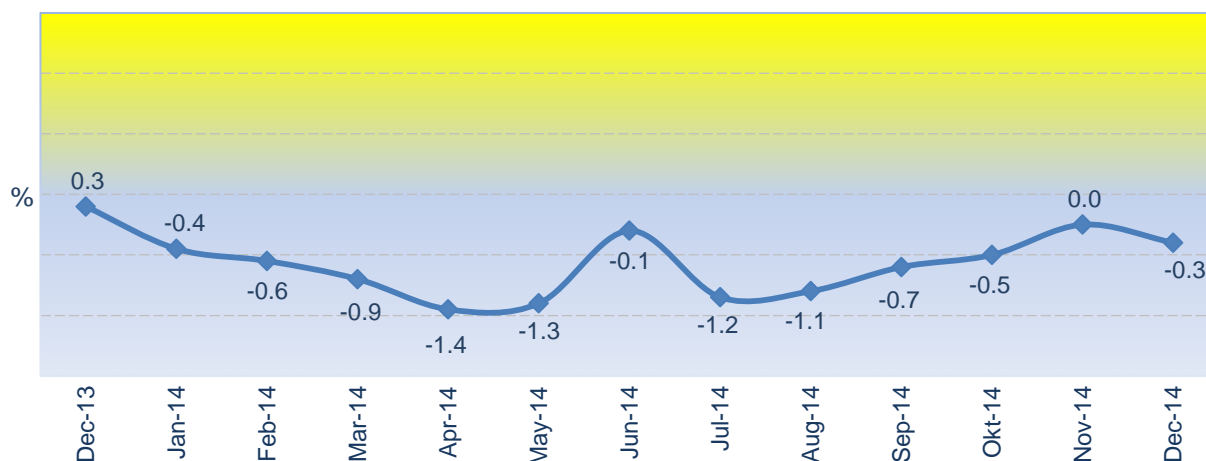
### Monthly deflation in December was -0,4%

Monthly deflation measured by Consumer price index was -0.4% in December, while the annual inflation was -0.3%, down from 0.0% in November. This was influenced mostly by the decrease in prices of: fuels and lubricants; fruit; meat; furniture and furnishings; garments. Consumer prices in the period January-December 2014 compared to the same period of the previous year were lower for -0.7%.

When observing the main groups monthly drop of prices was noticed in the following groups: Transport (-2.7%); Furnishing, household equipment and routine household maintenance (-0.4%); Food and non-alcoholic beverages (-0.2%); Clothing and footwear (-0.2%); Recreation and culture (-0.1%), while a growth of prices was recorded in groups: Restaurants and hotels (+0.5%); Health (+0.1%). Prices in groups: Alcoholic beverages and tobacco; Housing, water, electricity, gas and other fuels; Communications; Education; Miscellaneous goods and services remained at the same level as in the previous month.

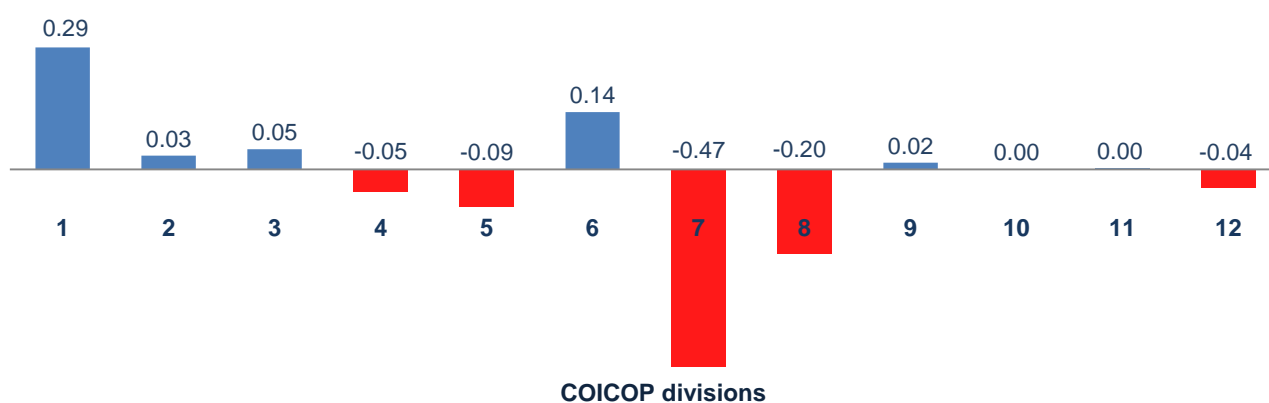
Positive annual inflation rates in December were observed in the following groups: Health (+3.6%); Alcoholic beverages and tobacco (+0.9%); Food and non-alcoholic beverages (+0.8%); Clothing and footwear (+0.7%), Recreation and culture (+0.6%); Restaurants and hotels (+0.1%), while negative annual inflation rates were observed in the following groups: Transport (-4.7%); Communications (-3.5%); Furnishing, household equipment and routine household maintenance (-1.9%); Miscellaneous goods and services (-1.0%); Housing, water, electricity, gas and other fuels (-0.3%).

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



**Table 1. Inflation rates measured by CPI, in %**

	Name	Weights ‰	<u>Dec 2014</u> <u>Ø 2013</u>	<u>Dec 2014</u> <u>Nov 2014</u>	<u>Dec 2014</u> <u>Dec 2013</u>	<u>Jan-Dec 2014</u> <u>Jan-Dec 2013</u>
<b>00</b>	<b>CPI - total</b>	<b>1000.0</b>	<b>-1.0</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.7</b>
01	Food and non-alcoholic beverages	386.4	-2.1	-0.2	0.8	-1.4
02	Alcoholic beverages and tobacco	37.9	4.2	0.0	0.9	3.8
03	Clothing and footwear	70.7	2.9	-0.2	0.7	-0.5
04	Housing, water, electricity, gas and other fuels	153.1	1.2	0.0	-0.3	0.1
05	Furnishing, household equipment and routine household maintenance	46.9	-1.6	-0.4	-1.9	-1.1
06	Health	38.2	4.0	0.1	3.6	2.3
07	Transport	101.0	-5.3	-2.7	-4.7	-0.9
08	Communications	57.1	-3.2	0.0	-3.5	-3.8
09	Recreation and culture	27.2	-1.5	-0.1	0.6	-2.6
10	Education	15.7	0.0	0.0	0.0	0.0
11	Restaurants and hotels	23.0	-1.4	0.5	0.1	0.6
12	Miscellaneous goods and services	42.8	-0.5	0.0	-1.0	0.4

**Chart 2. Impacts of divisions on the annual inflation rate (in %), Dec 2014**

**Table 2. Groups with most important impacts on monthly inflation rate, Dec 2014**

COICOP/ HICP	Group	Weights ‰	Monthly inflation %	Influence in percentage points
0117	Vegetables	38.4	1.1	0.04
1120	Accommodation services	5.7	2.2	0.01
0118	Sugar, jam, honey, chocolate and confectionery	18.2	0.6	0.01
0115	Oils and fats	16.3	0.6	0.01
0114	Milk, cheese and eggs	84.3	0.1	0.01
0321/2	Shoes and other footwear, repair and hire of footwear	30.8	-0.2	-0.01
0520	Household textiles	3.6	-2.1	-0.01
0312	Garments	39.3	-0.2	-0.01
0511	Furniture and furnishings	9.5	-1.0	-0.01
0112	Meat	104.6	-0.7	-0.07
0116	Fruit	22.5	-4.1	-0.09
0722	Fuels and lubricants for personal transport equipment	51.0	-5.6	-0.28

**Table 3. Groups with most important impacts on annual inflation rate, Dec 2014**

COICOP/ HICP	Group	Weights ‰	Annual inflation %	Influence in percentage points
0111	Bread and cereals	61.7	4.3	0.27
0117	Vegetables	38.4	2.9	0.11
0611	Pharmaceutical products	23.8	4.3	0.10
0732	Passenger transport by road	18.9	5.1	0.10
0411/2	Actual rentals paid by tenants and other actual rentals	13.2	6.9	0.09
0312	Garments	39.3	1.7	0.07
0116	Fruit	22.5	2.7	0.06
0114	Milk, cheese and eggs	84.3	0.7	0.05
0951	Books	5.5	9.4	0.05
0321/2	Shoes and other footwear, repair and hire of footwear	30.8	-0.5	-0.02
0562	Domestic services and household services	1.9	-8.6	-0.02
0942	Cultural services	3.5	-7.7	-0.03
0122	Mineral waters, soft drinks, fruit and vegetable juices	12.5	-2.6	-0.03
0520	Household textiles	3.6	-11.5	-0.04
1212/3	Electric appliances for personal care and other appliances, articles and products for personal care	24.1	-1.9	-0.04
0451	Electricity	71.6	-2.3	-0.17
0115	Oils and fats	16.3	-11.7	-0.19
082/30	Telephone and telefax equipment and telephone and telefax services	56.8	-3.5	-0.20
0722	Fuels and lubricants for personal transport equipment	51.0	-11.1	-0.57

## 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 15<sup>th</sup> in a month for the previous month on our website [www.monstat.org](http://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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