

Consumer price index (CPI) August 2014

Monthly inflation in August was +0,1%

Monthly inflation measured by Consumer price index was +0.1% in August, while the annual inflation was -1.1%, down from -1.2% in July. This was influenced mostly by the increase in prices of: passenger transport by road; electricity; books; vegetables and solid fuels.

When observing the main groups monthly growth of prices was noticed in the following groups: Recreation and culture (+1.9%); Transport (+0.7%); Housing, water, electricity, gas and other fuels (+0.6%); Furnishing, household equipment and routine household maintenance(+0.2%); Health (+0.2%); Alcoholic beverages and tobacco (+0.1%), while a drop of prices was recorded in groups: Clothing and footwear (-1.8%); Food and non-alcoholic beverages (-0.1%). Prices in groups: Communications; Education; Restaurants and hotels; Miscellaneous goods and services remained at the same level as in the previous month.

Positive annual inflation rates in August were observed in the following groups: Health (+1.7%); Restaurants and hotels (+1.2%); Alcoholic beverages and tobacco (+1.0%); Housing, water, electricity, gas and other fuels (+0.3%); Transport (+0.3%), while negative annual inflation rates were observed in the following groups: Communications (-4.0%); Food and non-alcoholic beverages (-2.3%); Furnishing, household equipment and routine household maintenance (-1.5%); Clothing and footwear (-1.2%); Miscellaneous goods and services (-0.8%); Recreation and culture (-0.3%).

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

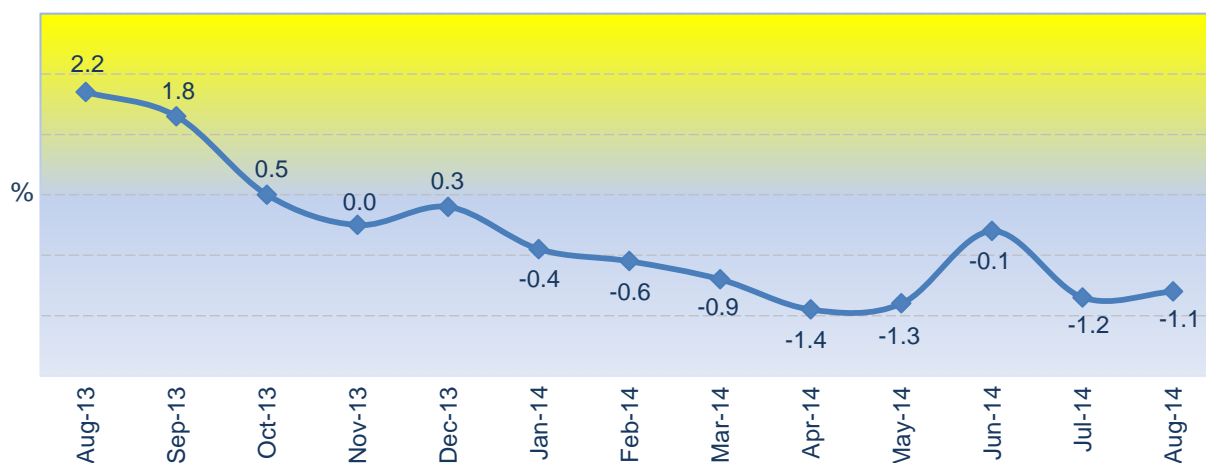


Table 1. Inflation rates measured by CPI, in %

	Name	Weights ‰	Aug 2014 Ø 2013	Aug 2014 Jul 2014	Aug 2014 Aug 2013	Jan-Aug 2014 Jan-Aug 2013
00	CPI - total	1000.0	-1.1	0.1	-1.1	-0.9
01	Food and non-alcoholic beverages	386.4	-2.5	-0.1	-2.3	-2.2
02	Alcoholic beverages and tobacco	37.9	4.1	0.1	1.0	5.4
03	Clothing and footwear	70.7	-3.9	-1.8	-1.2	-1.1
04	Housing, water, electricity, gas and other fuels	153.1	0.1	0.6	0.3	0.3
05	Furnishing, household equipment and routine household maintenance	46.9	-1.1	0.2	-1.5	-0.8
06	Health	38.2	2.3	0.2	1.7	2.1
07	Transport	101.0	0.5	0.7	0.3	-0.1
08	Communications	57.1	-3.3	0.0	-4.0	-3.9
09	Recreation and culture	27.2	-2.0	1.9	-0.3	-4.0
10	Education	15.7	0.0	0.0	0.0	0.1
11	Restaurants and hotels	23.0	4.2	0.0	1.2	1.0
12	Miscellaneous goods and services	42.8	0.6	0.0	-0.8	1.2

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

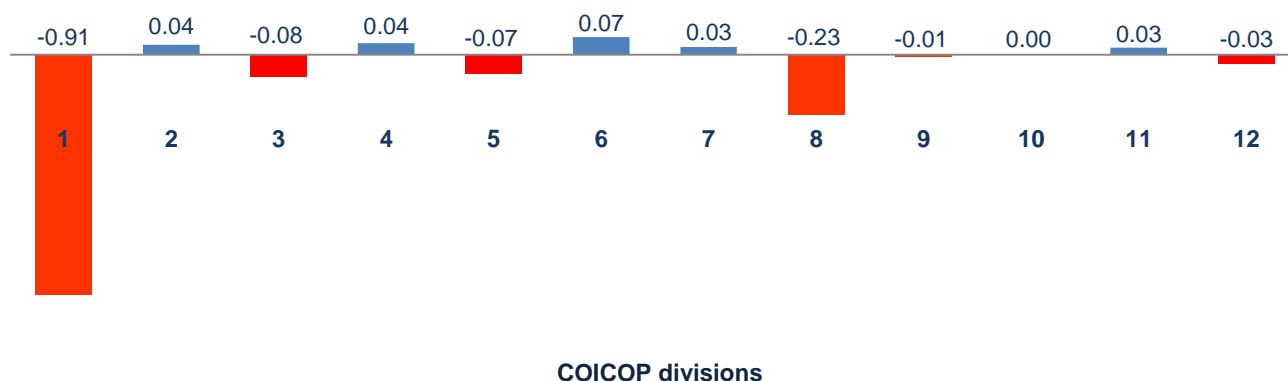


Table 2. Groups with most important impacts on monthly inflation rate, Aug 2014

COICOP/ HICP	Group	Weights ‰	Monthly inflation %	Influence in percentage points
0732	Passenger transport by road	18.9	5.1	0.10
0451	Electricity	71.6	1.0	0.07
0951	Books	5.5	10.0	0.05
0117	Vegetables	38.4	1.2	0.05
0454	Solid fuels	40.0	0.4	0.02
0118	Sugar, jam, honey, chocolate and confectionery	18.2	0.6	0.01
0511	Furniture and furnishings	9.5	1.0	0.01
0111	Bread and cereals	61.7	-0.2	-0.01
0722	Fuels and lubricants for personal transport equipment	51.0	-0.5	-0.02
0112	Meat	104.6	-0.4	-0.04
0312	Garments	39.3	-1.3	-0.05
0116	Fruit	22.5	-2.5	-0.06
0321/2	Shoes and other footwear, repair and hire of footwear	30.8	-2.4	-0.08

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

COICOP/ HICP	Group	Weights ‰	Annual inflation %	Influence in percentage points
0454	Solid fuels	40.0	2.9	0.11
0411/2	Actual rentals paid by tenants and other actual rentals	13.2	7.5	0.10
0732	Passenger transport by road	18.9	5.1	0.10
0611	Pharmaceutical products	23.8	2.5	0.06
0951	Books	5.5	10.2	0.06
0321/2	Shoes and other footwear, repair and hire of footwear	30.8	1.0	0.03
0213	Beer	4.1	5.8	0.02
0112	Meat	104.6	0.2	0.02
0220	Tobacco	25.2	0.7	0.02
0111	Bread and cereals	61.7	-0.5	-0.03
1211	Hairdressing salons and personal grooming establishments	12.9	-4.2	-0.05
0117	Vegetables	38.4	-1.7	-0.07
0722	Fuels and lubricants for personal transport equipment	51.0	-1.3	-0.07
0118	Sugar, jam, honey, chocolate and confectionery	18.2	-4.2	-0.08
0312	Garments	39.3	-2.9	-0.11
0451	Electricity	71.6	-2.3	-0.17
0116	Fruit	22.5	-8.1	-0.18
0114	Milk, cheese and eggs	84.3	-2.4	-0.20
082/30	Telephone and telefax equipment and telephone and telefax services	56.8	-4.0	-0.23
0115	Oils and fats	16.3	-19.7	-0.32

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 on 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.

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. +382-20-230 805

contact@monstat.org