

## Prices

- **Acceleration of consumer price growth by 1.2 p.p.**

Consumer prices increased inter-annually by 2.8% in the 1.Q 2006, out of which prices of goods by 2.3% and prices of services by 3.8%. The total price increase thus accelerated by 1.2 p.p., out of which prices of goods by 2.2 p.p., while prices of services slowed down by 0.4 p.p. The growth of consumer outlays for housing, water, energies and fuel (by 7.0%), out of which first of all natural gas (by 25.4%) exhibited the major influence on total price level increase. The increase of transport by 4.5% had the second greatest influence. The greatest rise of consumer prices exhibited in the postal service and telecommunication services (by 13.7%), however, its influence on the total was around 10 per cent. In the 1.Q 2006, the price level (without foodstuff and non-alcoholic beverages) therefore inter-annually increased by 3.6%. In the rest of the consumer basket, increased only by 0.7% due to the rapid growth of administrative prices.
- **Slight slowdown of agriculture producer prices**

In the 1.Q 2006, agriculture producer prices decreased inter-annually by 1.5%, out of which prices of vegetable products increased and of animal products decreased. While the decrease of prices in the total slowed down by 9.3 p.p., the growth of vegetable products prices accelerated as well as the decrease of animal product prices. The ratio between the change of price level of vegetable and animal products changed considerably (from 0.538 in the 1. Q 2005 to 1.073 in the 1.Q 2006. The ratio of prices of agriculture and industrial produces did not differ so much (from 0.881 in the 1.Q 2005 to 1.015 in the same period of 2006.
- **Negligible growth of industrial producer prices**

The growth of industrial producers prices was very moderate (by 0.3%) in the 1.Q 2006, and slowed down. Decrease of prices of manufacturing industry by 0.9% had the main influence on this slowdown. The movement of manufacturing industry prices was considerably differentiated, however, the difference between the highest decrease and increase in particular groups was smaller than in the previous year. The decrease of prices foodstuff and beverage belongs the most important influences. Price of natural resources increased by 1.7%, however, their growth slowed down. Prices of electricity, gas and water increased considerably (by 7.6%) and their growth accelerated.
- **High growth of energy prices**

The growth of energy prices (8.4%) is far above the average out of MIG; the prices of intermediate goods decreased by 3.0% and prices of short-term consumption goods by 1.5%. Prices of investment goods increased moderately (by 0.3%).
- **Ratio between input and output price in construction changed considerably**

Prices of construction works increased inter-annually by 2.4% in the 1.Q 2006. Prices of repayment and maintenance grew slightly quicker than prices of new construction. However, inputs prices of construction production (material and services) did not change, which represents a considerably benefit for construction firms (roughly CZK 2.9 bn).
- **Acceleration of market services price growth**

Prices of market services for entrepreneurship sphere increased inter-annually by 3.6%. The biggest increase of price can be, however, found in postal and telecommunication services. The increase of prices of entrepreneurship services and services in real estate by 3.9% had the greatest influence on the total price level. The ratio between postal and telecommunication services for households and entrepreneurship sphere changed considerably.
- **Adverse development of terms of trade continues**

In the 1. Q 2006, crown prices of foreign trade CR were influenced by CZK exchange rate and by changes of goods at foreign markets more than a year ago. In the 1. Q 2006, the inter-annual price level of exported goods declined by 1.9% and of imported goods increased by 3.0%, which means the adverse effect of terms of trade (95.2%) negatively influencing the trade balance at the level of CZK 23.3 bn. The decline of market product prices by 5.6% and the decline of machinery and transport means prices by 1.6%, both have the greatest influence on decline of export prices. On the other hand, prices of exported natural oil, lubricants and similar materials

increased by 7.9%. The increase of imported prices was influenced only by the high rise (by 38.6%) of mineral fuel, lubricants and similar materials. In other NICE groups, imported prices declined, prices of different industrial products decline at most (by 6.8%).