

5. Prices

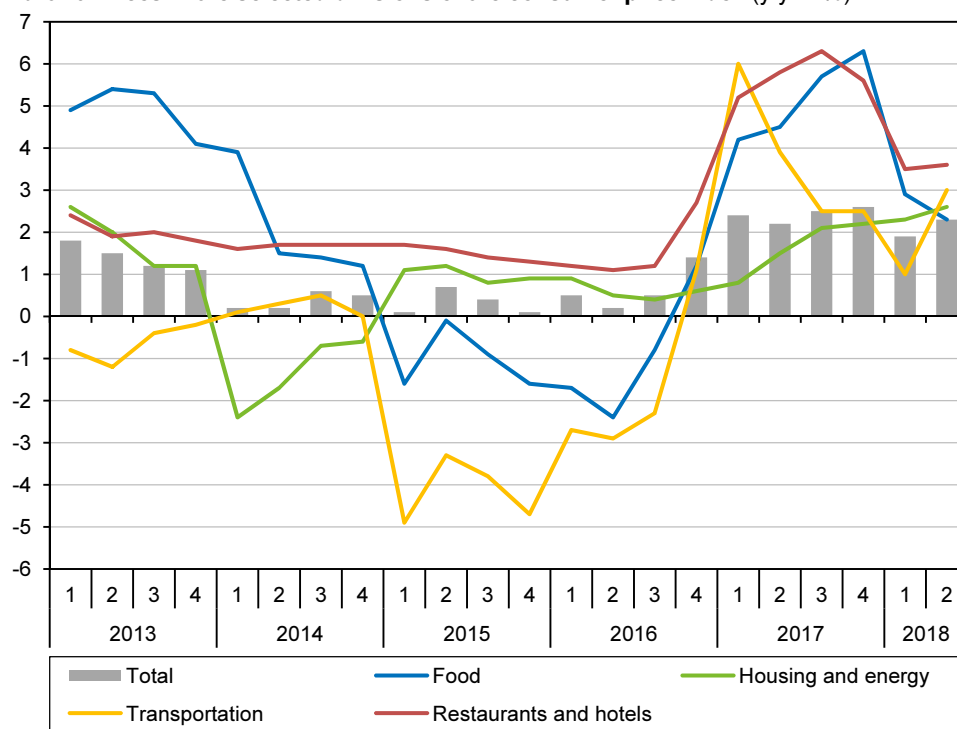
Total price level increased.

Total year-on-year growth of the total price level gauged by the GDP deflator attained 2.3% in Q2. It was affected by the relatively strong growth of prices of consumer goods (3.6%). Even though the price level of the household consumption was raised by 2.6%, for government institutions by 5.9%. Capital goods experienced stagnation (-0.5%). Terms of trade had only a mild positive effect (100.3%).

Consumer price growth accelerated in Q2 2018.

The rate of growth of the consumer prices returned above the 2% boundary after the slump in the preceding quarter in Q2 2018. In total, the prices were raised by 2.3% year-on-year in Q2 and the dynamics featured upward trend in the individual months. For the whole H1, the consumer prices rose by 2.1% year-on-year. The effect of the prices of housing, water and energies, which added the most to the total increase in prices (by 0.6 p.p.) again strengthened in Q2. Rate of price growth of food and non-alcoholic beverages does not reach the level of the last year any more, still the division supported the total growth 0.5 p.p. Alcoholic beverages and tobacco and transportation contributed identically 0.3 p.p.

Chart 10 Prices in the selected divisions of the consumer price index (y/y in %)



Source: CZSO

Cost of housing and energies had the largest impact on the total growth of prices.

Acceleration of the prices of housing and energies did not ease up. Their year-on-year addition reached 2.6% in Q2 (the most since Q1 2013). Apart from the prices of rent on flats, which grew by 0.6 p.p. faster compared to the previous quarter (2.9%), the prices of energies also confirmed the rising trends (from 1.1% to 1.7% in Q2). Growth of the imputed rents did not accelerate any more, the high rate of growth however remained (3.8%). More than plunging growth the high comparative basis of the last year has an effect, the average month-on-month addition arrived at 0.5% in Q2.

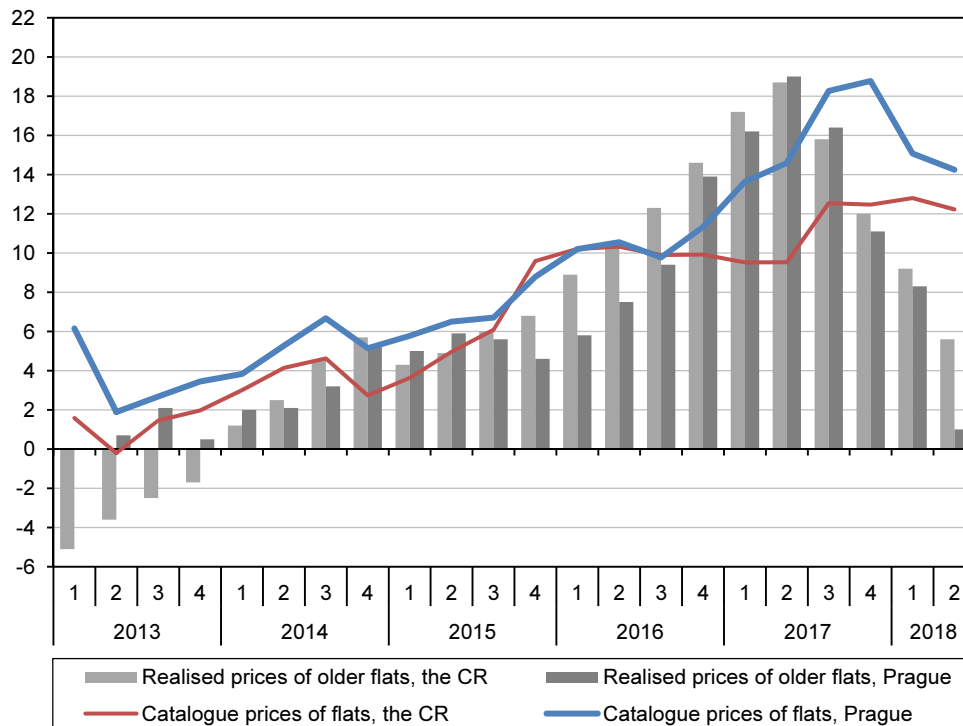
Dynamics of the prices of flats was further slowing down.

Even though the prices of housing accelerated in the consumer price index, the dynamics of the prices of flats individually went down. Prices of completed sales of older flats rose by 5.6% year-on-year in Q2, which is the least since Q2 2015. The



dynamics dived even deeper in Prague. Year-on-year addition was 1.0% in Q2, quarter-on-quarter the prices decreased by 1.6%. It is however necessary to point out, that the segment of older flats is considered. For new flats (index is gauged only in Prague), the year-on-year dynamics of the realised prices accelerated year-on-year to 14.8% in Q2. Year-on-year growth of the supply prices of flats mildly slowed down, still it however stayed above the 12% boundary for the whole CR.

Chart 11 Prices of real estate (year-on-year change, in %)



Source: CZSO

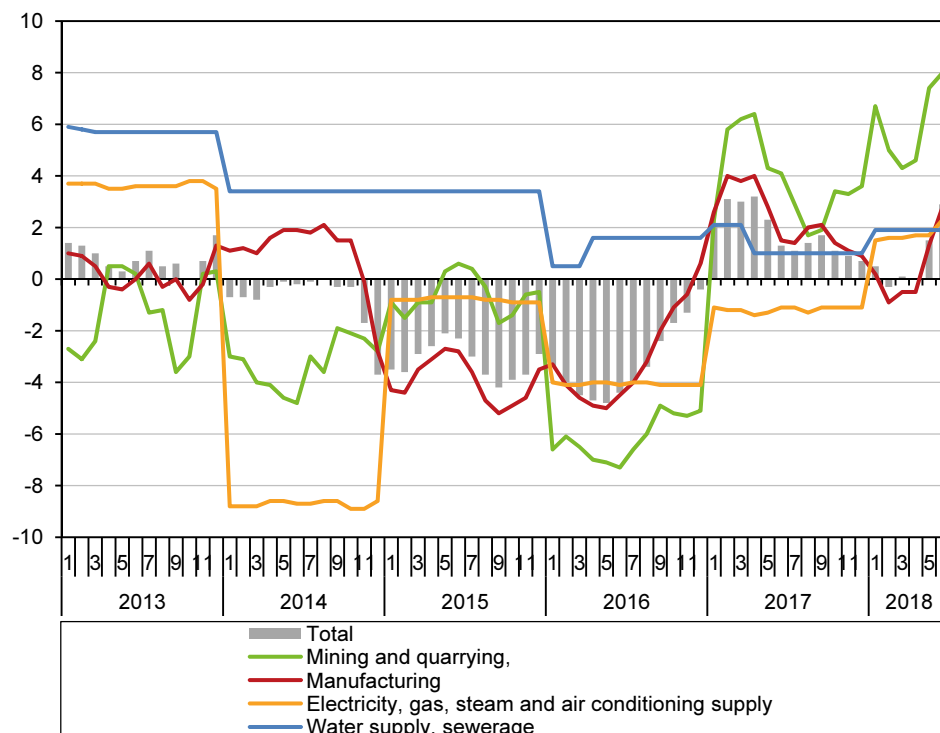
Prices of food and non-alcoholic beverages also experienced the acceleration of dynamics.

Year-on-year increase of the prices of food and non-alcoholic beverages reached 2.3% in Q2. This is slower rate of growth compared to Q1, the reason is however especially the high comparative basis of the preceding year. Following the weak April result, the growth of prices accelerated (month-on-month additions arrived at 1.0% in May and 0.5% in June). Milk, cheese and eggs contributed the most to the year-on-year growth of prices of food, with prices rising by 5.8% in Q2. Year-on-year rate of growth of prices of oils and fats (8.1%) and fruit (5.5%) was also considerable. Prices of alcoholic beverages and tobacco increased by 3.6%. The year-on-year increase of the prices of transportation (3.0%) accelerated due to the growing prices of fuels in Q2. Prices of operating the motor vehicle itself increased by 4.4%, prices of purchases of motor vehicles and other transport equipment kept the pace from the previous quarter (2.5%).

After the weak growth at the beginning of the year, consumer prices again increased pace in the EU.

Year-on-year addition to the consumer price index reached 1.8% in the European Union in Q2 and it gained pace compared to the preceding quarter. Transportation costs portrayed the key factor for the strengthening of the price growth, prices of food and non-alcoholic beverages or housing and energies also experienced a moderate acceleration. Prices of alcoholic beverages also grew relatively fast. Consumer prices grew the fastest in Romania (4.5%), Estonia (3.3%) and Slovakia (2.9%). Prices reached less than 1% addition in Ireland (0.4%), Greece (0.7%), Cyprus (0.8%) and Denmark (0.9%).

Chart 12 Prices of main groups of industrial producers (year-on-year change, in %, based on CZ-CPA classification)



Source: CZSO

Increase of the oil prices played a key role for the industrial producer prices.

Industrial producer prices experienced a year-on-year fall for a short time in Q1 (total quarterly addition then arrived at 0.1%). They however started rising significantly since May and consequently the resulting year-on-year addition for the whole Q2 attained 1.5%. The year-on-year rate of growth of the producer prices in manufacturing accelerated (1.2%). Prices of coke and refined oil products played the main role in the acceleration, these prices were influenced by the increase of prices of oil on the world markets, basic metals and metal products also soundly contributed to the price growth (year-on-year growth by 2.4%). Prices of wood, paper and print went up (2.3%) and furniture (2.0%). Prices of transportation equipment then had anti-inflationary effect, when they fell by 2.3% year-on-year in Q2. The acceleration also touched prices of mining and quarrying (6.7%) and electricity, steam and air conditioning supply (1.9%). Prices of water and sewerage services maintained the pace from the preceding quarter (1.9%).

Development of the oil price on the world markets was also reflected in the prices of the EU producers.

Given the fact, that the movement of oil prices represents a global factor affecting the producer prices, acceleration of the year-on-year rate of growth of this index also affected the majority of the European Union countries. Total year-on-year addition to the producer prices was 3.5% in the EU in Q2. Acceleration again related to the prices of manufacturing products and considerably also for mining and quarrying. The producer prices were raised the most in the Great Britain in Q2 (6.7%, mainly because of mining and quarrying) and by similar pace in Belgium and Estonia (6.4%, acceleration was recorded for the manufacturing products in Belgium, for the prices of electricity, gas, steam and air conditioning supply in Estonia). Year-on-year fall of the producer prices was observed in Ireland (-2.4%) and Luxembourg (-1.4%). Prices were raised only by 0.5% in Malta.

Prices of market services were influenced by the overall economic situation. Prices of job agencies for

Prices of market services maintain their pace 1.7% already three quarters in a row. Economic expansion from the preceding year supported the growth of prices of transportation and warehousing. Their year-on-year rate of growth now moderated



instance went up markedly.

(for land and pipe transportation to 0.6%), for prices of warehousing and support activities for transportation year-on-year drop even occurred of 2.1%. Prices fastened for postal and courier activities (5.3%) in Q2. Prices of insurance and pension funding also went up (4.1%), further then the prices of the real estate activities (2.9%). Prices of the services of employment placement agencies reached the highest increase (15.8%), thus reflecting the current situation on the labour market to a considerable extent.

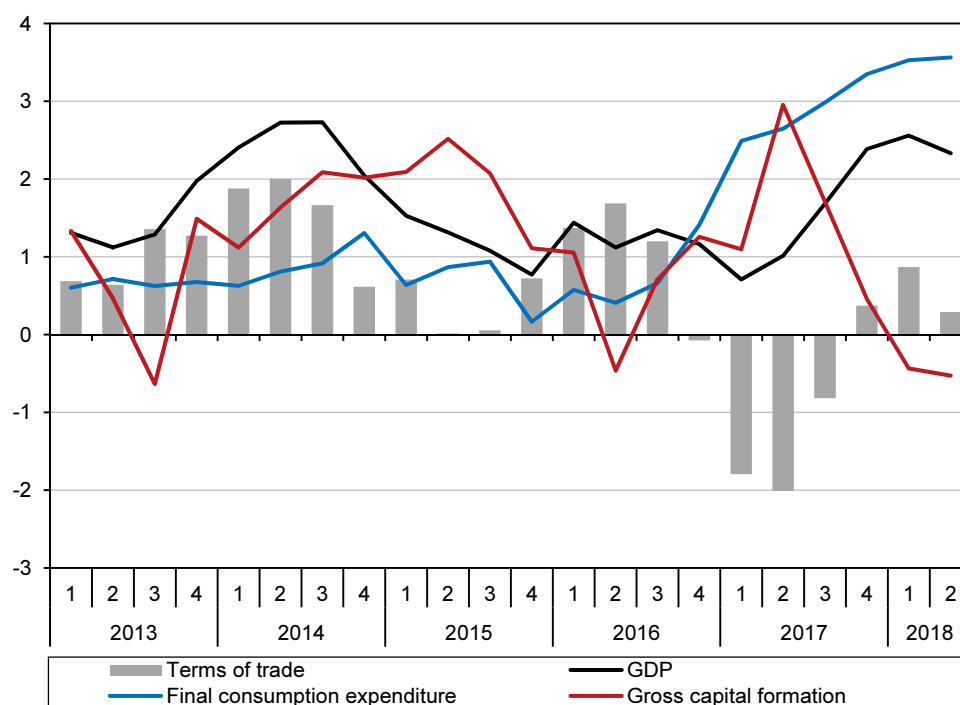
Agricultural producer prices fell by 3.4% following five quarters of year-on-year growth.

Agricultural producer price index started falling quarter-on-quarter already in Q1, year-on-year addition however remained positive at that time. First year-on-year slump since the end of year 2016 eventuated in Q2 (-3.4%). Prices of both plant and animal production were falling. Prices of plant production decreased by 3.3% year-on-year. Reason was the fall of prices of industrial crop by 14.4%. Mostly oil plants, specifically the decrease of prices of seeds of the oilseed rape by 2.2%, exerted a dominant influence. Prices of potatoes also were of importance, lower year-on-year by 6.7%. Weight dominant cereals persisted with the year-on-year growth (2.3%) so far, prices of the key wheat were raised by 1.0%. Prices of animal production fell by 3.5% year-on-year in Q2. Here the heightened drop of the prices of livestock mostly manifested (-8.7%). The fall of the prices of weight most significant slaughter pigs (-19.8%) deepened. Lowering of prices of poultry also continued (-1.2%), where the fall of prices of chicken did not continue further (0.4%), the indicator was however impacted by other poultry (-7.8%). Year-on-year growth of the prices of animal products markedly slowed down in Q2 (0.8%). After double-digit additions of the last year, prices sank for milk (1.5%) and eggs (-6.2%).

Effect of foreign exchange rate on prices weakened.

Prices of export decreased by 3.0% year-on-year in H1. While the slump reached 4.4% in Q1, the dynamics mitigated to -1.6% in Q2. The influence of the koruna foreign exchange also significantly reduced, whose appreciation pushed the prices of the foreign trade notably down since April of the last year. Prices of import fell by 4.2% in H1 and similarly to export, the slump was milder in Q2 (2.4%). The resulting terms of trade were thus positive - 101.3% in the whole half-year and 100.8% in Q2.

Chart 13 Deflators (adjusted for seasonal and calendar effects, y/y in %)



Source: CZSO