

5. Prices

Total price level grew in Q2.	Total price level gauged by the GDP deflator increased by 10.2% year-on-year in Q2. The pace thus slightly slowed down compared to the previous quarter. The year-on-year rate of growth of prices of consumption considerably slowed down (from 12.2% to 9.0%), mainly the household consumption (10.0%). Prices of capital goods increased by 3.3% year-on-year, which represents a rapid deceleration (prices rose by 10.2% in Q1). Year-on-year terms of trade amounted to substantial 104.6% and they were markedly positive in case of goods (104.7%) as well as services (103.1%). The total price level went up by 1.1% quarter-on-quarter in Q2. Prices of consumption goods (−0.2%) as well as capital goods (−1.9%) fell. Quarter-on-quarter terms of trade totalled 102.9%. In that the terms of trade with goods were 102.7% and with services 103.5%.
Year-on-year growth of consumer prices slowed down.	The consumer price index hiked up by 11.1% year-on-year in Q2 2023. This represents a notable deceleration of the pace compared to Q1 (16.4%). Mostly the high comparative basis of the last year has a large share in the decrease. Since the view on the index with the basis in year 2015 shows more clearly, that following this year's January sharp acceleration the level of consumer prices rose already only mildly ¹ . The development of prices of food and non-alcoholic beverages, housing and energy and transport, which dominated the price growth in the last year's H1, the most contributed to the weakening of the year-on-year pace in Q2. Despite notable slow down however the housing and energy as well as the food and non-alcoholic beverages remained a driver and contribute from more than one half to the year-on-year increase of the consumer prices. Consumer prices increased by 0.3% quarter-on-quarter in Q2.
Increase of prices of housing and energy moderated.	Prices of housing and energy jumped by 16.0% year-on-year in Q2. The growth thus slowed down from the previous 22.2% but remained relatively high and with respect to the large weight of housing and energy in the consumer basket contributed from more than one third to the total year-on-year increase of consumer prices. Prices of housing and energy grew by 0.2% quarter-on-quarter. Slowdown of the year-on-year pace affected the most prices of electricity, gas and other fuels, which were by 33.8% higher year-on-year. For other services associated with dwelling the increase was retained at considerable 15.9% and prices of maintenance and repair of dwelling increased by 12.2%. The year-on-year increase on the actual rentals for housing slightly increased to 6.9%, but further slow down to 3.1% manifested for the imputed rentals ² .
Prices of food and non-alcoholic beverages decreased quarter-on-quarter.	The significant deceleration of the year-on-year growth also concerned the prices of food and non-alcoholic beverages in Q2, where the increase amounted to 14.6%. Quarter-on-quarter prices of good and non-alcoholic beverages fell by 0.6%. The weakening of year-on-year dynamics was especially substantial in case of oils and fats (from 23.5% in Q1 to 2.4% in Q2), meat (from 24.4% to 8.6%), milk, cheese and eggs (from 32.7% to 17.4%) and bread and cereals (from 26.5% to 16.8%). Strong growth of prices prevailed for vegetables (22.6%), sugar, jam, honey, chocolate, confectionary (20.0%) and other food products (17.4%). Growth of prices of fruit strengthened to 14.4%.
Prices of various services kept strongly growing.	Year-on-year growth of prices of many services remained extensive. Prices of recreation and culture, which picked up by 11.7% contributed notably to the total year-on-year growth of consumer prices. Mainly prices of package holidays (17.3%),

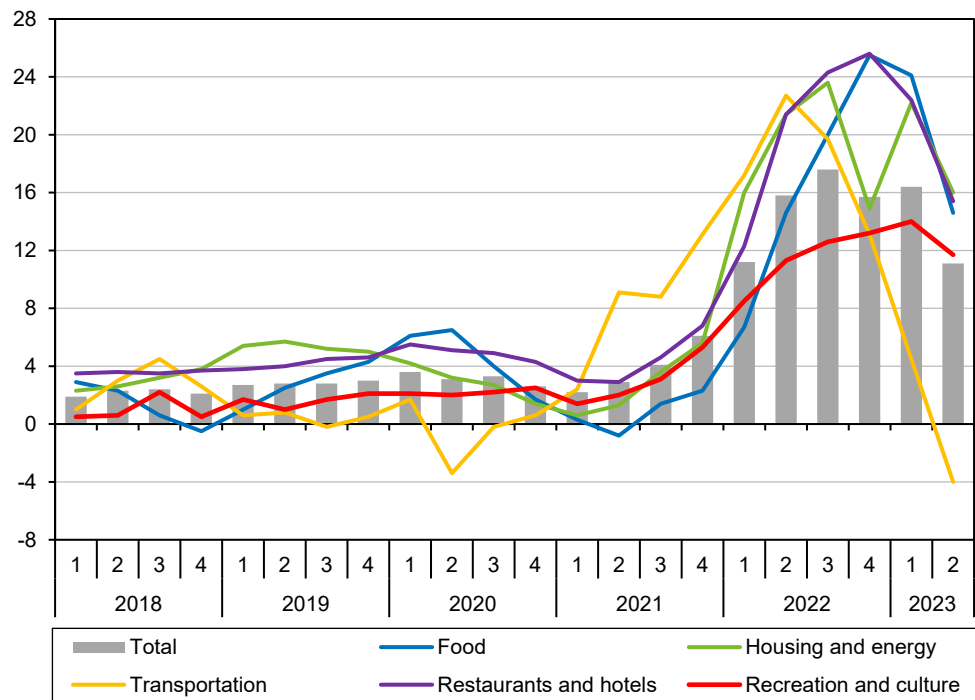
¹ Consumer prices increased by 7.2% between June 2023 and December 2022. In that the majority of the shift can be attributed to January, when the price lists are usually changed and the increase also covered the abolition of the energy tariff this year – the increase of prices was only 1.2% between this year's June and January. The increase totalled nevertheless 13.2% between June 2022 and December 2021 and in that prices increased by 8.3% between June and January.

² Imputed rent expresses the cost of owner living. Apart from prices of housing themselves, it also contains the cost of construction and renovation and further fees. More at: <https://www.czso.cz/csu/czso/methodological-note-to-consumer-price-index-imputed-rentals>.



recreational and cultural services (10.8%) and other items for recreation and leisure time (13.9%) had a significant effect. Quarter-on-quarter the prices of recreation and culture lowered by 0.3%. Despite the weakening of the year-on-year growth the increase of prices of restaurants and hotels, which were by 15.4% higher year-on-year, also remained considerable. At the same time the prices of catering services grew by 15.5% and accommodation services by 15.1% year-on-year. Prices of restaurants and hotels had one the highest quarter-on-quarter increases (2.7%) in the whole consumer basket. Prices of miscellaneous goods and services³ rose by 11.2% year-on-year and were by 1.4% higher quarter-on-quarter.

Chart 10 Prices in the selected divisions of the consumer price index (year-on-year in %)



Source: CZSO-

Year-on-year rate of growth of prices of clothing and footwear as well as household equipment remained significant.

Significant year-on-year pace of prices of clothing and footwear (12.2%) as well as household equipment, goods and repairs (10.4%) persisted in Q2. Prices in both divisions also strongly grew quarter-on-quarter – prices of wearing apparel and footwear were raised by 2.2% and furnishings, households equipment and maintenance by 1.6%. The year-on-year rate of growth of prices of alcoholic beverages and tobacco remained relatively stable in Q2 (6.5%, prices grew by 0.4% here quarter-on-quarter). The year-on-year increase of prices in the area of health care did not change (9.5%, 3.1% quarter-on-quarter) and the pace was stable for prices of education (7.2%, 0.2% quarter-on-quarter). The year-on-year growth of prices of post and telecommunication strengthened year-on-year (3.9%; 1.4% quarter-on-quarter).

Only the prices of transport were falling year-on-year.

Transport was the only division of the consumer prices, where the prices decreased year-on-year. Prices went down by 4.0% here and the decrease of costs of operation of personal transport equipment by 10.3% stood solely behind it. The year-on-year growth of prices of purchase of vehicles considerably shrank (1.0%). The prices of transport services ceased to be affected by the last year's restrictions of student discounts on fare, thus the pace markedly decelerated against the preceding quarter.

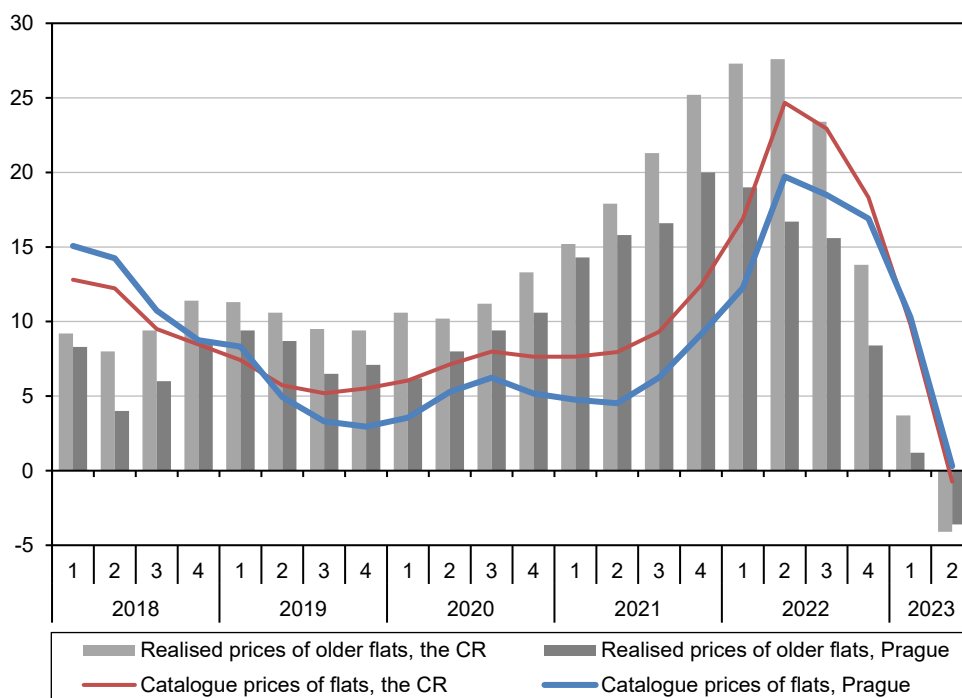
³ Comprises services of personal care and personal needs and accessories, social care, insurance and further financial services etc.

Still the prices of transport services went up by substantial 11.3% year-on-year. Prices of transport also fell quarter-on-quarter for the third time in a row, specifically by 0.8%.

Growth of consumer prices slowed down in the EU.

Harmonized index of consumer prices (HICP)⁴ increased by 7.2% in the European Union year-on-year in Q2. The year-on-year dynamics of consumer prices in the EU similarly to the domestic economy decelerates since the beginning of the year, mainly under the influence of falling prices of energy and fuels. On the other hand, the growth of prices of food remained strong throughout H1. According to the HICP, the prices increased the most year-on-year in Q2 in Hungary (22.1%), where mainly the prices of food, food service and accommodation and housing and energy grew massively. Nevertheless, double-digit year-on-year increases had a majority of divisions in the Hungarian consumer basket. The subsequent countries in the ranking – the CR (12.6%), Slovakia (12.5%) and Poland (12.5%) were placed behind Hungary with a considerable distance. The consumer prices were growing year-on-year in the whole EU, but the inflation already returned into a moderate band in some countries – the prices increased year-on-year by 1.9% in Luxembourg, by 2.6% in Belgium and by 2.8% in Spain. Quarter-on-quarter, the consumer prices increased by 1.6% in the EU in Q2. Prices in Malta (6.0%), Estonia (2.9%) and Greece (2.9%) featured the largest quarter-on-quarter increase. Consumer prices fell quarter-on-quarter in Belgium (-0.9%) and Denmark (-0.5%).

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



Source: CZSO

Catalogue prices of flats went down year-on-year.

Catalogue prices of flats peaked at the end of the last year and two quarter-on-quarter decreases occurred in both Q1 and Q2 of 2023 (-1.9% and -1.7%). The catalogue prices fell year-on-year in Q2 for the first time since Q2 2013, specifically by 0.7%. The decrease related mainly to flats in the CR outside of Prague year-on-year (-1.8%), the catalogue prices in Prague were still by 0.3% higher. However, quarter-on-quarter the catalogue prices were falling both in Prague (-1.8%) and outside of Prague (-1.6%). The dynamics of realised prices of older flats slows down even faster than the catalogue prices, which practically proves the cooling on the real estate market. Realised prices

⁴ Contrary to the consumer price index, which is compiled by the CZSO for the Czech economy, HICP does not consist of imputed rent, which is the main reason for the difference between the HICP and Consumer price index.

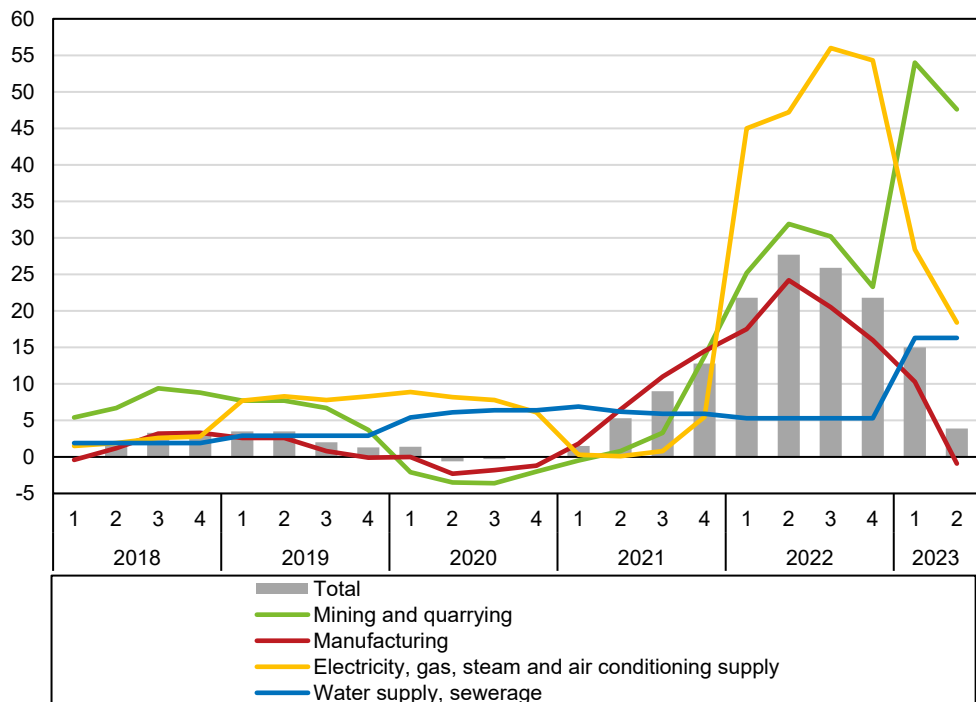


of older flats fell quarter-on-quarter for the third time in a row (−2.6%) in the CR in Q2. They were by 4.1% lower compared to the same period of the last year, for the first time since Q4 2013. At the same time the realised prices of older flats in Prague fell by 3.6% year-on-year and by 4.2% outside of Prague. The realised prices of new flats in Prague also deeply dived for the second time in a row year-on-year (−6.9%). Realised prices of new flats fell in Prague quarter-on-quarter for the fourth time in a row (−0.5%).

Growth of prices of industrial producers markedly slowed down.

Industrial producer prices went up by 3.9% year-on-year in Q2 2023. The increase thus considerably slowed down in comparison to Q1. The prices of industrial producers lowered by 2.6% quarter-on-quarter. Mostly the development of prices manufactured products, which were by 0.9% lower year-on-year (the first decrease since Q4 2020) stood behind the slowdown of the year-on-year growth. The high comparative basis of the last year had an impact. Mainly prices of various materials or associated products were falling year-on-year, but the dynamics was decelerating for the majority of types of products. The year-on-year slump of prices of coke and refined oil products⁵ had a significant effect on the prices of industrial producers. Prices of chemical substances and products (−13.5%), which are bound with the development of prices of oil, wood and wood products (−13.3%), basic metals (−11.5%), metalworking products (−1.7%) or paper and paper products (−0.8%) were lower. The year-on-year growth of prices of food products (11.4%) markedly weakened, but on the contrary the dynamics of prices of beverages (14.1%) slightly strengthened. Growth of prices of machinery and equipment (8.1%) remained relatively strong similarly to the prices of their repairs and installation (9.4%). Prices of motor vehicles (3.3%) as well as other transport equipment (7.7%), basic pharmaceutical products (4.3%), computers, electronic and optical appliances (3.4%), electrical equipment (1.9%) or rubber and plastic products were higher. Prices fell for the third time in a row quarter-on-quarter in manufacturing, specifically by 1.6%.

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



Source: CZSO

⁵ Exact values of the indicator are not provided due to the protection of individual data.

Prices of mining and quarrying were raised the strongest.

Year-on-year growth of prices of electricity, gas, steam and air conditioning notably weakened to 18.4% and the prices decreased by 6.3% in this section quarter-on-quarter. On the contrary, for the prices of mining and quarrying the year-on-year increase hovered at substantial 47.6%, which was assisted by the development of black and brown coal and lignite mining (71.4%) as well as other mining (24.7%, mainly construction materials). Only the growth of prices of oil and natural gas extraction weakened more notably (38.6%). Quarter-on-quarter, the prices of mining and quarrying grew by 1.7%. Prices of water supply and services associated with waste water management were by 16.3% higher year-on-year.

Year-on-year growth of prices of industrial producers further slowed down in the EU.

Prices of industrial producers in the EU⁶ dropped by 0.3% year-on-year in Q2. Prices of mining and quarrying (−11.8%) as well as electricity, gas, steam and air conditioning (−7.8%) were significantly lower year-on-year. In contrast the prices in manufacturing in spite of ongoing slow down still slightly grew year-on-year (0.8%). The prices of industrial producers grew the most in Q2 year-on-year in Hungary (35.7%), Slovakia (19.1%) and in Latvia (11.5%). On the contrary the strongest year-on-year plunge occurred in Ireland (−16.5%), Greece (−10.4%) and Belgium (−9.6%). Prices of industrial producers fell for the third time in a row quarter-on-quarter in the EU (−5.5%). The prices of mining and quarrying (−20.6%) as well as electricity, gas, steam and air conditioning (−17.4%) sharply plummeted and prices in manufacturing were also lower compared to the preceding quarter (−1.0%). Prices of industrial producers were falling in all EU countries quarter-on-quarter with the exception of Slovenia (growth of 0.5%). Prices in Cyprus and Malta ranged in the band of stagnation (they fell similarly by 0.1% quarter-on-quarter), the decreases were more pronounced elsewhere. Prices in Ireland (−12.9%), Belgium (−12.3%) and Italy (−10.2%) featured the strongest quarter-on-quarter slumps in Q2.

The growth of prices of construction works slowed down.

Dynamics of prices of construction works was also weakening, even though less intensively compared to other indices, since the labour presents a significant item in the costs of construction. Prices of construction works were based on estimates higher by 0.8% quarter-on-quarter in Q2 and grew by 6.9% year-on-year. As estimated, materials and products used in construction experienced a mild quarter-on-quarter decrease by 0.1% and the year-on-year growth moderated to 3.2% here.

Year-on-year growth of prices of market services strengthened.

Prices of market services were raised by 6.3% year-on-year in Q2. The pace of growth thus accelerated compared to the previous quarter. Prices of market services increased by 2.8% quarter-on-quarter. The development of services was influenced by strengthening wages, which represent a significant cost item here. The development of prices of services in the area of programming and associated consultancy, which went up by 9.5% contributed the most to the year-on-year growth. The effect of prices of land transport and transport via pipeline (year-on-year increase 5.3%), services in the area of real estate (7.1%) and services in the area of employment (25.2%) was also strong. Strengthening of the year-on-year increase of the prices of advertising and market research (6.4%) also had a notable effect on the prices of market services and raised prices of services associated with services to buildings and landscape activities (13.7%), information services (12.8%), postal and courier services (8.0%), services in the area of lease and operative lease (5.6%), architectural and engineering services, technical testing and analysis (4.1%), warehousing and support activities for transportation (3.6%) or insurance, reinsurance and pension funding (2.9%) had an impact.

⁶ Without prices of water distribution and services associated with wastewaters.



Prices of agricultural products were falling. Mainly prices of the crop products were falling.

Prices of agricultural products including fishes slumped by 8.1% year-on-year in Q2. It was the first year-on-year decrease since the end of year 2020. Only prices of the crop products were falling year-on-year (-20.8%) but the increase slowed down for the animals and animal products to 12.4%. Quarter-on-quarter, the prices of agricultural products lowered by marked 9.1% and prices of both the crop (-11.2%) and animal (-6.6%) products fell. The year-on-year decrease of prices of crop products was mainly affected by the slump of prices of cereals (-22.3%), in that the prices of wheat plunged by 28.0%, barley by 13.0% and corn by 9.1%, on the contrary the prices of oat grew by 4.1%. Prices of industrial crops were by 34.0% lower year-on-year, mainly owing to the oil seeds, where the dive arrived at -35.1%. Prices of forage plants decreased by 1.9% year-on-year. On the contrary the year-on-year increase of prices of vegetables and horticultural products strengthened to 23.9%. Prices of potatoes hiked up by 29.0% and they decreased for fruit by 5.9%. The year-on-year increase of prices of animals weakened to 14.2% year-on-year in the animal production, the growth of prices of pigs and piglets (24.1%), poultry (17.0%) as well as cattle (0.9%) was lower. The increase of prices of milk also decreased to 7.8% and eggs to 42.1%.

Year-on-year growth of the prices of foreign trade further slowed down in Q2. The koruna foreign exchange per euro as well as dollar strengthened year-on-year⁷ and thus had an anti-inflationary effect, however the high comparative basis of the last year, mainly the notable level of prices of materials played a main role. Prices of export of goods fell by 1.8% year-on-year in Q2 and were by 2.2% lower quarter-on-quarter. Prices of export of other materials⁸ (-25.5%) and chemicals (-9.4%) plummeted the most year-on-year and prices of food and live animals (-4.7%) and semi-finished products⁹ (-4.3%) were also lower. On the contrary the prices of beverages and tobacco (18.4%) considerably increased year-on-year, prices were higher for mineral fuels and lubricants (2.3%), miscellaneous manufactured articles (1.1%) and machinery and transport equipment (1.0%).

In case of prices of export the year-on-year (-7.6%) as well as quarter-on-quarter (-4.5%) slump also eventuated. Mainly prices of import of mineral fuels and lubricants (-32.0%) and other materials (-15.8%) were falling year-on-year. Prices of chemicals (-10.9%), semi-finished products (-7.9%) and machinery and transport equipment (-1.6%) were lower. In contrast the prices of import of beverages and tobacco (22.2%), food and live products (6.4%) and miscellaneous manufactured articles (5.9%) strongly grew year-on-year. Year-on-year terms of trade climbed up to record 106.3% in Q2. The terms of trade reached the highest value in trade with mineral fuels and lubricants (150.4%) and further the terms of trade were positive in trade with semi-finished products (103.9%), machinery and transport equipment (102.6%) and chemicals (101.7%). Terms of trade fell to significant negative figures on the contrary in case of other materials (88.5%), food and live animals (89.6%), miscellaneous manufactured articles (95.5%) and beverages and tobacco (96.9%).

⁷ Based on the CNB data, the average koruna foreign exchange per euro reached 23.588 CZK/EUR in Q2 2023. It was 24.644 CZK/EUR in the year 2022. Koruna foreign exchange per dollar markedly strengthened year-on-year. The average was 23.156 CZK/USD in Q2 2022 and 21.673 CZK/USD this year.

⁸ SITC 2 – crude materials inedible, except fuels.

⁹ SITC 6 – manufactured goods classified chiefly by material.