

## Prices

- ***Growth of consumer prices thanks to electricity and gas prices reflected in housing***

The overall level of consumer prices was in the Q1-Q3 2006 higher year-on-year by 2.9%, of which prices of goods by 2.4% and prices of services by 3.7% and that meant acceleration of their growth. The overall price level grew mainly due to prices of housing, water, electricity and fuel, which increased by 7.1% and had a 1.9 percentage point influence on the overall increment of consumer prices. This price growth was predominantly influenced by natural gas price increase (+26.6%), electricity (+9.0%) and heat (+11.6%). As for their influence, following were prices for postal services and telecommunications (+0.2 p.p.) with the total growth by 8.2% for the three quarters; however, in the Q3 only by 2.3%. Prices of food and non-alcoholic beverages increased in total only by 0.6%, however, in the Q3 already by 2.5%. Price level excluding food and non-alcoholic beverages increased by 3.4%. Prices of transport increased by 3.0%, however, the growth gradually slowed down. On the other hand, there was a decrease among prices of clothing and footwear (-6.2%) and prices of furnishings, household equipment and routine maintenance of the house (-1.6%).

As for the structure of selected groups of goods and services, the fastest growing were prices of goods with administrative prices (+9.3%) and fuel oils and fuels (+7.4%), which meant acceleration of their growth by 4.3 and 2.4 percentage points, respectively.

- ***Changes of price parity between animal and crop products***

Agricultural producer prices increased during the Q1 – Q3 2006 by 2.0% and the difference in comparison to the last year's decrease was 12.8 p.p. It was solely due to prices of crop products, which increased by 13.6%, while prices of animal products dropped by 3.0%. The difference between price movements in the Q1 – Q3 of 2005 and 2006 reached 44.7 p.p. for crop products. As for product structure, the biggest influence on the price growth of crop products was due to potato prices; animal products prices dropped mainly due to prices of poultry and eggs. Price parity between price movements of crop and animal products markedly changed (from 0.670 to 1.171).

- ***High growth of electricity and gas prices continues***

Industrial producer prices for the Q1 – Q3 2006 were higher year-on-year only by 1.4% and their growth decelerated by 2.7 p.p. In the Q3 prices started to grow more already, they increased by 8.5% y-o-y. The price growth structure was almost the same throughout the entire period; as for products and branches, increment rates fluctuated within large spread. Prices of electricity, gas and water were growing markedly and in a stable way; for the Q1 – Q3 they increased by 7.9%. Price growth of coke and refined petroleum products in the Q3 slowed down (7.2%), however, during the entire period prices increased by 12.4%. Other prices of manufacturing grew much less and were decreasing in some branches. Prices of food, beverages and tobacco products dropped during the three quarters by 1.9%, of which in the Q3 the drop was smaller (by 0.6%). Prices in manufacture of basic metals and fabricated metal products recorded big fluctuations; during the three quarters, prices decreased by 2.4% as a result of their drop by 4.6% in the first half-year.

- ***Gradual acceleration of price growth in construction***

Construction work prices for the Q1 – Q3 2006 increased by 2.7% year-on-year, of which in the Q3 the growth accelerated to 3.2%. Prices of individual types of construction work (new construction and maintenance) developed in almost the same way. Price parity between price fluctuations of outputs and inputs much changed y-o-y (from 0.985 to 1.022), which led to a marked increase of the implicit deflator of the gross value added for construction.

- ***Marked price increase in advertising services***

Prices of market services for business sphere increased during the three quarters by 3.7% y-o-y, the same as in the Q3, which was an increase higher than a year before (by 1.9 p.p.). The biggest increase was in prices of real estate, renting and business activities (by 4.7%); their growth accelerated in the Q3 (to 5.5%), mainly as a result of a huge price increase for advertising services (by 18.8%). After a marked increase of prices for telephone traffic in the first half-year, the Q3 recorded their slight decrease (by 0.8%).

- ***Worsening of terms of trade stopped in the Q3***

After price decrease of exports of goods in the first half-year of 2006, the Q3 recorded a slight increase of prices; however, for the Q1 – Q3 they dropped by 1.2%, which was by 0.2 p.p. deeper drop than a year before. Import prices grew in the first half-year much more than in the Q3 and for the Q1 – Q3 they increased by 1.6%, which was after a last year's slight drop by 1.7 p.p. more. Terms of trade 97.2% for the Q1 – Q3 2006 were thus worse by 1.9 p.p., which had a negative impact on the trade balance.

- ***Price fluctuations of crude materials had the biggest influence on price level changes of export and import***

Decrease of export prices for the entire period was influenced the most by a decrease of prices of semi-finished products and materials and services by 3.0% and prices of machinery and transport equipment by 1.6%, although in the Q3 they already started to grow slightly or dropped less than in the first half-year. Price growth of raw materials with the exception of fuels accelerated (for the three quarters 7.4%, of which for the Q3 11.1%) and chemicals and related products (102.0% and 106.9%); price growth was decelerating in mineral fuels, lubricants and related materials (+1.0% and –3.5%). Import price growth for the entire period was influenced most by the prices increase of mineral fuels, lubricants and related materials, although their growth gradually slowed down (for the Q1 – Q3 21.9% and for the Q3 only 6.2%). Also increase of prices of semi-finished products and materials was of the same influence, however, their growth accelerated (2.9% and 5.6%). Development of prices of machinery and transport equipment had a reverse trend; they dropped by 1.7% and almost the same in each quarter. Import prices of beverages and tobacco markedly decreased mainly in the Q3 (–6.1% and –7.5%).