

5. Prices

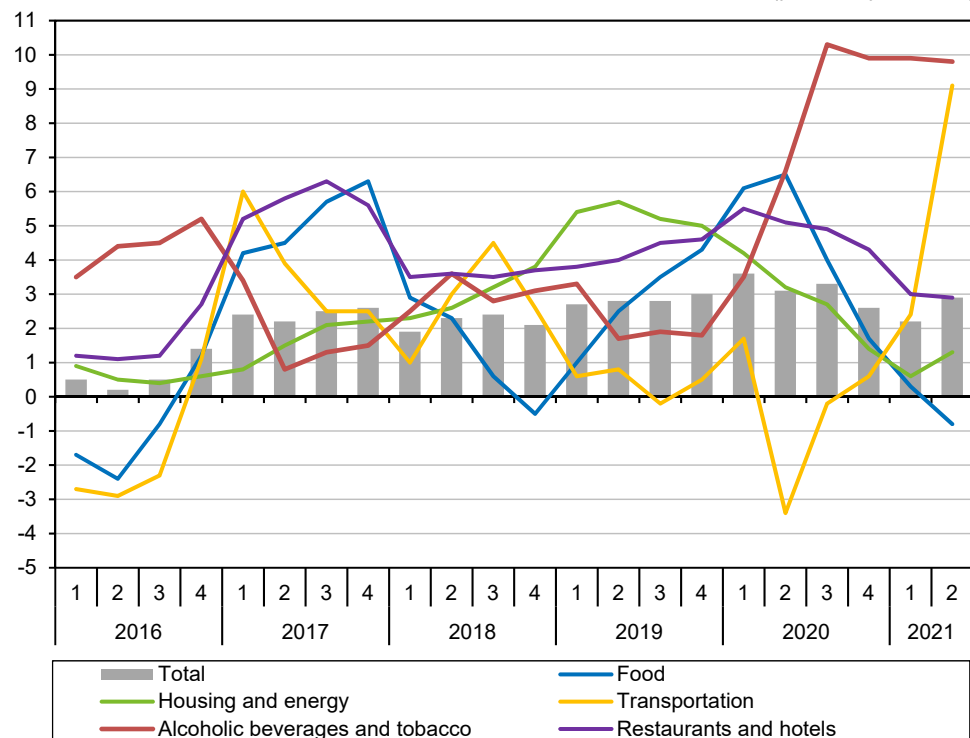
Growth of the price level accelerated.

Total year-on-year increase of the price level in the economy reached 4.3% according to the GDP deflator in Q2. It represents an acceleration compared to Q1. Quarter-on-quarter increase of the price level went up to 1.5%. Year-on-year rate of growth of prices of consumer goods markedly gained pace (3.9%), both of those consumed by households (2.1%), but mainly in case of government institutions (7.4%). Prices of capital goods were raised by 3.5% year-on-year. Terms of trade weakened to 100.7%. Weakening related to the terms of trade with goods (100.9%), but also with services (99.0%).

The year-on-year growth of consumer prices notably gained pace in Q2.

Year-on-year increase of consumer prices attained 2.9% in Q2 2021. Following a weaker year-on-year pace from Q1, a significant strengthening manifested in the course of Q2. Mainly the acceleration of the year-on-year growth of prices of transportation participated on this result (under the influence of prices of fuels), which also moved to a position on the consumption basket, which affected the total year-on-year increase of prices the most. Prices of alcoholic beverages and tobacco represented the second largest increase. The influence of increase in prices of housing and energies also strengthened. For the whole H1, the consumer prices rose by 2.5% year-on-year. Compared to Q1 2021, the consumer prices grew by 1.0%, which was also the result of strengthened price growth of transportation. Increase of prices of housing and alcoholic beverages and tobacco were also instrument in the quarter-on-quarter growth.

Chart 9 Prices in the selected divisions of the consumer price index (year-on-year in %)



Source: CZSO

Mainly the prices of fuels shared the most in the strengthened dynamics.

Prices of transportation were raised by 9.1% year-on-year in Q2. It is substantially more than in the previous quarter (2.4%) and it represents the record increase in the whole time series since year 2005. Operation of private motor vehicles, especially the fuels were the main driver of the growth of prices of transportation. Because the prices of oil in comparison to the record low level of the same period of the last year considerably



increased¹. The cost of operating a transport vehicle climbed up by 13.9% year-on-year. The dynamics fluctuations of oil prices are relatively common, this time however their growth also coincided with more than one year lasting strong year-on-year growth of prices of motor vehicle, motorcycle and bicycle purchases (7.1% in Q2). Increase of prices of transportation services also gained pace up to 1.5% in Q2.

Prices of tobacco products kept strongly growing.

Prices of alcoholic beverages and tobacco also strongly grew year-on-year in Q2 (9.8%). Increases moved above the 9% level since the last year's June until this year's May. The prices of tobacco were raised by 14.8% year-on-year in Q2, while the prices of tobacco beverages by 3.2%. Strengthening of the year-on-year increase of prices of housing and energies to 1.3% also left its mark on the total growth of prices. With the exception of prices of electricity and heating, gas and other fuels (decrease by 2.8%), the growth of prices accelerated in the whole division. Residential rents went up by 1.8% year-on-year, the imputed rent even by 3.6%. Regular maintenance and repairs put prices up by 3.4% and other services associated with housing by 4.0%.

Prices of majority of consumer basket divisions were growing.

Food service and accommodation further contributed to a large extent to the growth of consumer prices (year-on-year increase of 2.9%). In that prices of food services were raised by 3.4%. Prices of accommodation services were by 0.7% lower year-on-year, however the year-on-year slump gradually weakened during Q2, as the restrictions limiting this branch were loosened. The majority of other consumer basket divisions shew year-on-year increase. Year-on-year increase for other goods and services (2.8%) was mainly affected by the prices of financial services. Prices of recreation and culture went up by 2.0% and the increase strengthened especially for other items for recreation and leisure time including gardening and household pets (4.2%). Prices of wearing apparel and footwear grew by 2.9%, household equipment and goods by 2.1%, health by 3.5% and education by 2.8%.

Prices of good and non-alcoholic beverages were falling year-on-year.

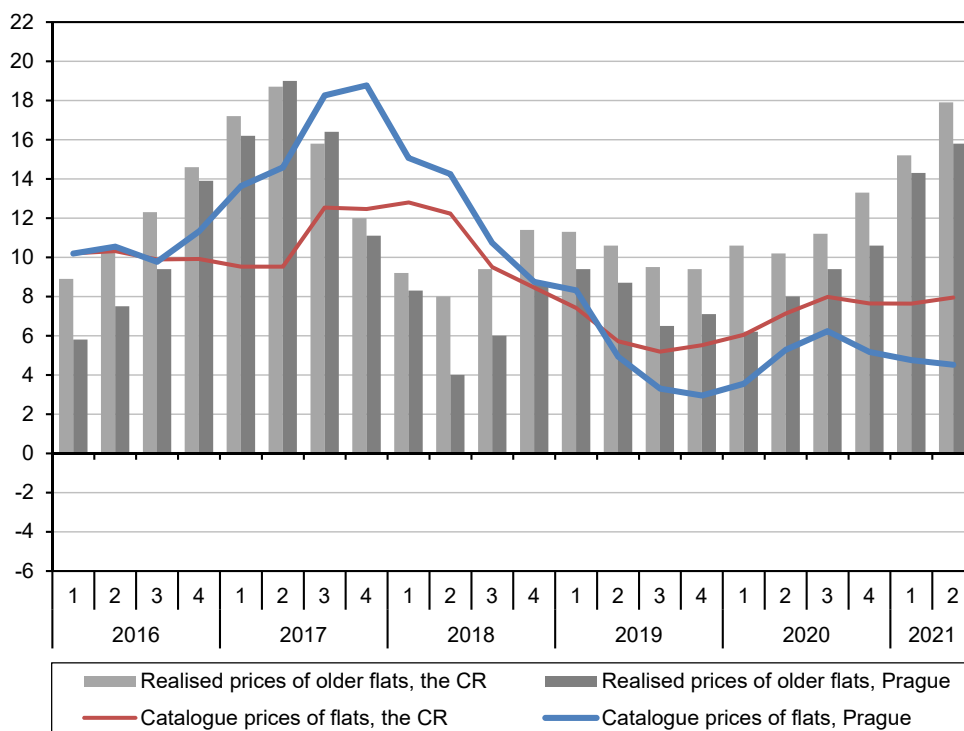
Only food and non-alcoholic beverages worked to larger extent in the direction of year-on-year decrease of consumer prices. Their prices fell by 0.8% year-on-year. Especially the decline of prices of meat by 2.6% and further fruit (-4.2%) as well as vegetables (-5.8%) had an effect. Strong growth for oils and fats (11.6%) on the contrary contributed to the growth of prices of food. Prices of baking products and cereals grew only moderately (0.7%). Prices of postal and telecommunication services also decreased (-0.3%).

Growth of prices of flats further accelerated.

Pressures in the direction of price increases further gained strength on the market with real estate. Catalogue prices of flats rose 8.0% year-on-year in Q2, which is slightly more than in the preceding quarter. At the same time the dynamics of catalogue prices of flats outside Prague was gaining pace (12.4%), while prices grew much slower (4.5%) in Prague. With respect to the realised prices of older flats, further acceleration manifested here, bringing the year-on-year increases to the level of previous peak from year 2017. Realised prices of older flats were by 17.9% higher in the CZ year-on-year in Q2. In that the increase reached 15.8% in Prague, while it was 18.5% outside of Prague. Realised prices of new flats grew by 11.9% in Prague year-on-year. Significant excess of dynamics of the realised prices over the supply prices indicates a very small bargaining power of buyers in the environment of strong excess of demand over supply, which already lasts in some areas several years.

¹ As a consequence of the slump of demand as well as breakdown of cartel agreements, the average price of the barrel of oil BRENT fell according to the U.S. Energy Information Administration to 18.38 dollar in April and 29.38 dollar in May. The prices were thus even more than doubled this year (64.81, 68.53 and 73.16 dollar in April, May and June).

Chart 10 Prices of real estate (year-on-year change, in %)



Source: CZSO

Year-on-year growth of consumer prices strengthened in the EU.

Year-on-year growth of consumer prices also gradually accelerates in the European Union. The index increased by 2.2% year-on-year in Q2 (it was 1.4% in Q1). The faster pace is mainly influenced by the year-on-year increase of prices of transportation, a shift upwards however is also apparent for the dynamics of prices of housing and energies in the EU. The growth of prices of food on the contrary reduced. The consumer prices were raised the most in Hungary (5.3%), Poland (4.6%) and Luxembourg (3.6%) in Q2. Prices however also grew at significantly above average pace in Lithuania and Estonia, Romania and the CR. Greece (-0.6%) and Portugal (-0.1%) were the only two economies, where a year-on-year decrease occurred in Q2. Consumer prices stagnated in Malta (0.1%).

The industrial producer prices jumped up the most year-on-year since year 2011.

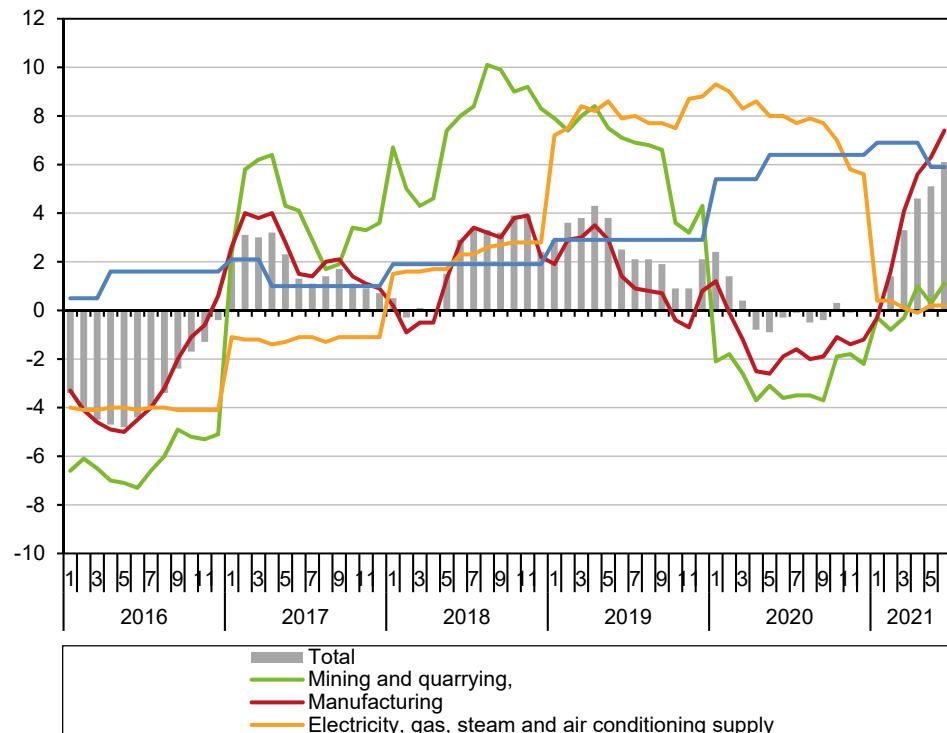
Notable acceleration also concerned the year-on-year increase of prices of industrial producers. It attained 5.3% in Q2 (1.5% in Q1), which is the most since Q3 2011. Prices thus increased by 3.4% year-on-year for the whole H1. Also in case of industrial producers, the impact of sharp year-on-year hike of prices of oil can be mentioned. It was evident for the prices of mining and quarrying, which went up by 0.8% year-on-year following more than one year lasting series of decreases. The dynamics of prices of products and services of manufacturing accelerated to 6.5% and the prices of coke and refined oil products² contributed the most. Prices of chemical substances and products (38.4%) displayed an extraordinary increase and also the prices of basic metals and fabricated metal products (10.7%). Wood, paper and print (5.4%) and rubber and plastic products (2.7%) also significantly contributed to the year-on-year growth of prices industrial producers. The addition to prices of electrical appliances (4.1%), textile, wearing apparel and leather (3.1%) and furniture and other products of manufacturing (2.9%) was also significant. Prices of transport equipment and computers, electronic and optical appliances (similarly by 2.6%) and then food products, beverages and tobacco (-0.6%) fell year-on-year. Prices of electricity, gas,

² Individual data



steam and air conditioning stagnated year-on-year (0.1%). On the contrary, the increase stayed strong for water supply and wastewater management services (6.2%).

Chart 11 Prices of main groups of industrial producers (year-on-year change, in %, based on CPA classification)



Source: CZSO

Industrial producer prices grew by extraordinary pace in the EU year-on-year.

Industrial producer prices rose by 9.2% in the EU year-on-year in Q2. It represents a massive acceleration compared to Q1 (2.2%). Growing prices of oil strongly affected the heightened year-on-year increase of prices of mining and quarrying (22.5%) as well as prices in manufacturing (7.0%). The year-on-year dynamics of prices of electricity, gas, steam and air conditioning also accelerated year-on-year (18.4%). Industrial producer prices grew in the whole Union year-on-year and total 10 countries of the EU recorded more than 10% increase. Prices of producers grew the most in Ireland (40.5%), Belgium (17.9%) and Denmark (16.6%) year-on-year. The increase was more moderate in case of Malta (1.1%), Slovakia (2.6%) and Slovenia (4.2%). Even the CR despite considerable increase belonged to countries with dynamics below the EU average.

Year-on-year pace of prices of market services further slowed down.

General economic deceleration affected the price index of market services, whose dynamics again moderated. Prices of market services increased by 1.0% year-on-year in Q2, which is the least since Q1 2017. The prices of services in the area of programming and related consultancy, which grew by 3.1% year-on-year contributed to the year-on-year growth despite slow down the most. Prices of land and pipe transportation (1.4%), real estate services (1.5%) and services of job agencies (6.1%, marked acceleration compared to previous three quarters) also showed more notable addition. Contribution of other branches was only minor – warehousing and support services for transportation (1.0%), postal and courier services (2.0%), legal and accounting services (2.0%), activities of head offices, management consultancy activities (2.4%) and security and investigation services (3.5%). Information services (-4.8%), architectural and engineering activities and technical testing and analysis (-1.2%) and

advertising and market research (−1.8%) worked more significantly in the direction of decrease of prices.

Prices of agricultural production increased.

Prices of agricultural production rose by 3.8% year-on-year. It constitutes the first increase since Q3 2019. The increase of plant production grew markedly (8.9%). The increase of prices of cereals by 12.0% contributed, where the prices of both wheat (16.2%) and corn (22.2%) went up notably. Strengthened dynamics was also observed for industrial crop (10.8%), in that prices of oil plants were raised by 11.0% (mainly the oilseed rape). Prices of forage plants increased by 2.1%. In contrast the prices of vegetables and garden products dropped by 4.4%, potatoes by 15.5% and fruit by 5.2%. Prices of animal production were further falling, but their year-on-year plunge moderated to 1.6% in Q2. Mainly due to the prices of pigs the deep plunge for farm animals reduced (−7.3%). Prices of animal products grew by 3.1%, in that prices of milk by 2.9% and eggs by 4.6%.

Growth of export prices weakened.

Export prices grew by 1.8% year-on-year in Q2 2021. The marked deceleration of rate of growth compared to Q1 can be ascribed especially to the large year-on-year appreciation of the koruna foreign exchange³, which has strong anti-inflationary effect currently. Prices of export of mineral fuels and lubricants (47.2%) and other materials⁴ (37.6%) grew the most year-on-year in Q2. Increase for chemicals and related products was also strong (9.5%). The year-on-year increase of prices of semi-finished products⁵ (2.7%) and food and live animals (1.0%) on the contrary weakened. Year-on-year dynamics of export prices of beverages and tobacco (−6.2%) and miscellaneous manufactured articles (−4.1%) plunged deeply. Prices of machinery and transport equipment also decreased year-on-year (−1.5%), even though they sharply grew in the previous four quarters and absorbed the most the koruna appreciation.

Terms of trade were negative for the first time after more than two years.

Import prices were by 2.3% higher year-on-year in Q2. Prices of mineral fuels (71.8%) and other materials (21.6%) increased the most. Prices of chemicals and related products (6.0%) grew as well and prices of imported semi-finished products increased (4.3%). The decrease of prices of machinery and transport equipment (−5.4%) and miscellaneous manufactured articles (−4.8%) significantly deepened. Prices of food and live animals (−3.6%) and beverages and tobacco (−1.7%) went also down. The terms of trade were negative in Q2 (99.5%), for the first time since Q4 2018. Terms of trade with mineral fuels (85.7%), beverages and tobacco (95.4%) and semi-finished products (98.5%) were negative. On the contrary, terms of trade with other materials (113.2%), food and live animals (104.8%), machinery and transport equipment (104.1%), chemicals (103.3%) and miscellaneous manufactured articles (100.7%) attained positive terms of trade in Q2.

³ In Q2 2020, the average koruna foreign exchange per euro reached 27.054 CZK/EUR. This year it was 25.638 CZK/EUR. Appreciation of the exchange rate per dollar was even more significant. The average was 24.569 CZK/USD last year in Q2, 21.265 CZK/EUR this year.

⁴ SITC 2 – crude materials inedible, except fuels.

⁵ SITC 6 – manufactured goods classified chiefly by material.

