

Prices

- **Faster growth of consumer prices**

Consumer prices in H1 2006 increased y-o-y by 2.9 %, specifically prices of goods by 2.4 % and prices of services by 3.8 %. Growth of the overall price level speeded up by 1.3 p. p., in that prices of goods by 2.2 p. p. and prices of services grew slightly slower compared to the previous year. Q-o-q growth of prices in Q2 slowed down, being markedly affected by changes in regulated prices, tax adjustments and other administrative measures, while the growth of core inflation before seasonal adjustment accelerated considerably. Y-o-y growth of the total price level in H1 2006 was crucially impacted (in more than two thirds) by the increased prices of housing, water, energy and fuels (by 7.2 %), followed by higher prices of transportation by 3.9% (13.0 p. p. contribution) and postal services and telecommunications by 11.8 % (10.0 p. p. contribution). On the other hand, the prices of food and non-alcoholic beverages went mildly down (by 0.3 %), while the prices of clothing and footwear dropped faster (6.1 %) with 0.3 p. p. impact on the overall consumer prices movement.
- **Price hike of goods with administrative prices**

Changes in the half-yearly structure of the total price level growth included slower growth of non-seasonal goods prices (by 1.1 p. p.) to seasonal goods prices (by notable 6.1 p. p.). With regards to market and non-market influences, the prices of goods with administrative prices accelerated faster (by 10.1%) than prices of other goods (by mere 0.7%), which also represents in the first case large (by 5.5 p. p.) and in the second case small (by 0.1 p. p.) growth acceleration. Prices of heating oils, fuels and oils experienced considerable growth and acceleration (10.4% and 9.2 p. p.).
- **Rents and services brought up the household expenditures**

Given the rise of prices of products and services for personal consumption and following the growth of consumer prices in H1 2006, the final household consumption swelled y-o-y by CZK 16 bn, in that mostly for housing, water, energy and fuels.
- **Opposing movement of price levels**

Price movements accompanying the production of goods and services in H1 2006 were marked by faster y-o-y growth of agricultural product and market product prices and a slowdown in the prices of industrial producers, construction works as well as the prices of materials and products used in construction. These movements eventuated with largely varying intensity and their relations based on individual price areas fluctuated widely. For instance, the ratio of development of agricultural product prices and the prices of food, beverages and tobacco shows significant structural change as well as the ratio of price development of construction works and material inputs in construction. Further, given the substantial acceleration of the industrial production growth, prices of industrial producers were cut down considerably.
- **Prices of plant products rose sharply**

Prices of agricultural producers were in H1 2006 higher by mere 1.6 %, however the prices of plant products jumped by 21.2 % and prices of animal products decreased by 3.1 %. The difference of 14.1 p. p. between the lowered prices of agricultural producers in H1 2005 and the above mentioned increase in H1 2006 is the result of marked variability in the ratio of steep growth of plant product prices (58.6 p. p.) and reduced drop (9.8 p. p.) of animal product prices as a reflection of the shift in the supply and demand for these products on the commodity markets. Fast fluctuations and alternate increase and decrease mainly of the plant production still continue.
- **Prices of electricity keep climbing up**

Prices of industrial producers in H1 2006 went up y-o-y only by 0.8 % and their growth was by 4.7 p. p. lower on a year before. The rates of growth and contributions to the overall change differed widely in individual branches, moving in large range. The growth of the overall price level was mostly affected (1.0 p. p.) increased prices of electricity, gas and water by 7.9 %, followed with a smaller impact (0.7 p. p.) by increased prices of coke and refined oil products by 15.8 %. Total price level was pushed down by the slashed prices of food and beverages by 2.6 % with an impact of 0.5 p. p. and prices of basic metals, metallurgical and metalworking products by 4.6% with 0.7 p. p. contribution. Energy prices grew at an above-average pace (8.5 %) while the prices of intermediate products were going down (1.9 %).

- **Large price differential**

Differential between a slower growth of industrial producer prices in the CR and their faster growth in the economies of EU member states reached 5.0 p. p. in Q1 2006, only slightly falling in Q2 2006 (4.5 p. p.).
- **Substantial shift in the input-output price ratio**

Prices of construction works rose in H1 2006 y-o-y by 2.5 %; growing slower compared to the previous year (by 1.0 p. p.), slowing down especially in Q2 2006. Prices of repair and maintenance and prices of new construction displayed similar development. Prices of materials and products used in construction mildly decreased (only by 0.2 %, in that in Q2 by 0.3 %) and thus the relation between the movement of output and input prices in H1 2006 increased y-o-y by 5.4 p. p. and led to substantial growth of the gross value added implicit deflator in construction.
- **Extensive growth of prices for telephone services and advertising**

Prices of market services in the business sector in H1 2006 climbed up y-o-y by 3.7% and their growth was by 2.2 p. p. faster compared to the preceding year. Prices in the area of real estate (4.3 %), advertising (14.1 %) and telephone services (8.5 %) exhibited an above average growth. Prices of mobile operators have fallen.
- **Marked change of domestic and external price level ratio**

Y-o-y slump of export prices was crucially affected (-1.4 p. p.) by the reduction of prices of market products assorted by material by 4.4 %, followed by lower prices of machinery and transportation vehicles by 1.7 % with 0.7 p. p. contribution. Prices of raw materials with the exception of fuels by 5.6 % and mineral fuels, grease and related materials by 3.7 % with the same contribution of 0.2 p. p. had the opposite effect. Ratio of export and industrial producer prices movement shifted from 0.945 in H1 2005 to 0.973 in H1 2006. Y-o-y growth of import prices was influenced mostly (3.5 p.p.) by an increase of prices for mineral fuels, grease and related materials by 29.7 %, joined by the rise of market product prices by 1.5 % with 0.3 p. p. contribution. Cut prices of machinery and transportation vehicles by 1.4 % and miscellaneous industrial products by 6.5 % worked in the opposite direction (0.5 p.p. and 0.7 p. p.). Positive and negative impact of other SITC groups on the movement of foreign trade prices was negligible.
- **World prices slowed down slightly**

World prices of selected commodities of industrial raw materials and food (on the world markets in corresponding currencies) has in H1 2006 according to the CZSO index increased y-o-y by 36.8 % and their growth was by 3.7 p. p. slower on a year ago. Prices of oil (32.6 %) and gas (42.0 %) grew the fastest, but lower than in the previous year by 19.4 p. p. and 3.2 p. p. respectively. Ratio of world prices growth and import prices movement altered from 1.392 in H1 2005 to 1.319 in H1 2006.