

Prices

- **Considerable devaluation of the purchasing power of households**

Consumer prices grew annually by 7.1% in the 1st half of 2008 while in the 1st quarter the figure was 7.4% and in the 2nd quarter 6.8%, which meant their faster increase than a year ago. Prices of services grew considerably higher (7.7%) than prices of goods (6.6%), mainly in the 2nd quarter (8.0% and 6.0%, respectively). In the division by social groups of households the consumer prices of pensioners grew the most (by 8.9%) followed by households with children and minimum income (8.5%). The increase of the aggregate level of consumer prices and devaluation of the purchasing power of households in the 1st half of 2008 by 6.6% was reflected in end consumption expenditures in such a way that for the same volume of goods and services households paid 53.0 billion CZK more than a year ago. The annual inflation rate gradually increased and in June 2008 it achieved 5.4%. It was higher than a year ago by 3.3 p.p. and its increasing growth was most felt by socially weaker households.

- **The growth of housing prices showed more than one-third contribution to the increase of the aggregate price level**

The 9.1% growth of the prices of housing, water, power and fuel had the highest impact on the annual increase of the aggregate level of consumer prices in the 1st half of 2008 (2.5 p.p., i.e. 35.1% of the sum). Without the influence of the housing prices the price level would have increased by 6.2%, i.e. 0.9 p.p. less than in the aggregate. The prices of food and soft drinks also has a high influence on the aggregate (1.8 p.p., i.e. 25.2%) with the growth of 10.8% while the same holds good for the prices of alcoholic drinks and tobacco (1.0 p.p., i.e. 13.7%) with the growth of 11.4%.

- **The inflation in the Czech Rep. was significantly higher than in the aggregate of the EC states**

Consumer prices in the EC 27 member states grew by 3.7% annually in the 1st half of 2008 - according to the harmonized index (HICP) – while in the 1st quarter the figure was 3.5% and in the 2nd quarter 4.0%. In the same period in the Euro Zone the prices grew by 3.5% and by 3.4% and 3.7% respectively. Thus, the gap between the growth of consumer prices of the advanced states of the EC (slower) and the Czech Rep. (faster) increased, but according to preliminary calculation of the Czech Statistical Office the level of consumer prices in the Czech Rep. amounts approx. to less than two thirds of the EC 12 average. A growing range of consumer goods is already cheaper in the neighbouring states than in the Czech Rep.

- **High growth of prices of industrial manufacturers in EC 27**

Prices of industrial manufacturers grew annually by 5.1 in the 2nd quarter of 2008 while in the 1st quarter of 2008 the figure was 5.6%. The prices grew most in the case of coke and oil products by 26.9%, coal and oil by 20% and electricity, gas and water by 9.1%. On the other hand, there was an annual decrease of prices of means of transport by 4.9% and only a slightly lower decrease of prices of rubber and plastic products. Prices of industrial manufacturers in EC 27 grew considerably, when in June 2008 the annual growth amounted to 10.1%, in the Euro Zone to 8%. With the elimination of the power sector the prices in the industry in EC 27 grew by 4.6% while the prices in the power sector increased by 27%.

The prices of agricultural producers were 27.1% higher than a year ago in the first half of 2008, the prices of construction work grew by 4.8% and market services by 3.7%.

- **Significant worsening of exchange rate relations in the 1st half of 2008**

The prices of exported as well as imported goods in the Crown expression showed an annual decrease in the 1st half of 2008; the decrease of export prices was lower (5.2%) than the decrease of import prices (3.7%) and the exchange rate relations were unfavourable (98.4%), which was reflected in a considerable loss from business transactions. Economic entities in the Czech Rep. reported the business loss from the decrease of export prices of goods of 70.3 billion CZK and the business profit from the decrease of the import prices of goods of 46.8 billion CZK, so the overall foreign trade loss achieved the amount of 23.5 billion CZK. As compared to the development in the 1st half of 2007 (profit from business transactions of 39.0 billion CZK) there were significantly negative changes, higher on the export than on the import part.

After "purging" from the influences of the CZK exchange rate the

In the 1st half of 2008 the CZK prices of exported and imported goods were strongly affected by changes of exchange rates and the reinforcement of CZK with regard to the currencies in which the Czech foreign trade was realized. According to calculations of the Czech Statistical Office CZK was reinforced more in import than in

export prices grew by 2.8% and the import prices by 6.4%

export operations; in the 1st half of 2008 it was stronger by 8.5% on the export part and by 10.4% on the export part in the annual terms, so the price index "purged" from exchange rate changes grew by 2.8% in the case of exports and 6.4% in the case of imports while the exchange rate relations from the "purged" price indexes (96.6%) were more unfavourable than from the price relations in the CZK expression.

- **Considerably different effect of partial price change on the aggregate indexes of export and import prices**

The reduction of prices of machines and means of transport by 7.7% had the highest impact on the reduction of the aggregate level of export prices in the 1st half on 2008 (-3.9 p.p.). The drop of prices of market products sorted mainly by material by 4.4% had a significantly lower influence (-1.0 p.p.). The growth of export prices of mineral fuel, lubricants and related materials by 15.9% positively influenced the aggregate index in the range of 0.6 p.p. The decrease of the prices of machines and means of transport by 8.6% also had the highest influence on the decrease of the aggregate level of import prices (-2.2 p.p.). The reduction of import prices of market product sorted mainly by material by 5.2% had a relatively high influence on the reduction of import prices of products (-2.2 p.p.). The growth of import prices of mineral fuel, lubricants and related materials by 20.3% showed a positive influence on the aggregate index in the range of 2.1 p.p.