

Prices

- **Marked increase of consumer prices in Q4 2007**

In the y-o-y comparison consumer prices rose in Q4 2007 by 4.8% showing a marked acceleration compared to previous quarters. The price acceleration was contributed to mainly by food prices recording a two-digit rise. Important was also an accelerated growth of fuel prices. Consumer price growth came mainly from changes in external conditions in respect of high growth of world prices of energy and food. Their impact on consumer prices was only partly off-set by the Czech koruna appreciation. The growing inflation was contributed to also by internal, anti-inflation conditions in form of the unit wage cost and consumer demand increase. The average y-o-y inflation rate in 2007 reached 2.8% which was by 0.3 p.p. more than in 2006. The inflation rate showed a slightly upward trend from January 2007, a notable increase of inflation was observed not earlier than in the last three months.

- **Position of the CR in terms of the inflation rate became notably worse**

In the CR the y-o-y growth of harmonised index of consumer prices in October was 4.0%, in November 5.1 % and in December 5.5 % which values were compared with the EU 27 average (3.2 % in December) significantly above the average. The trend observed in the period from 2000 to 2006 when inflation was low and relatively stable ceased to operate. In 2007 the average y-o-y inflation rate by HICP was in the CR 3.0% and in the Eurozone 2.1%.

- **On-going growth of industrial producer prices**

Except for July and August in 2007 industrial producer prices continued to grow. An especially fast growth-rate was recorded for industrial producer prices in Q4 when they increased by 5%, y-o-y, which was the lowest growth rate reached in the last three years. At the year end, an accelerated growth of the industrial producer prices was contributed to mainly by resumed y-o-y growth of import crude oil prices. Prices of refined petroleum products in Q4 increased y-o-y by more than a fifth. Similarly did the agri-food producer prices in the world markets which reflected into the prices of food processing workers.

- **Significantly dynamic growth of agricultural producer prices**

Agricultural producer prices were in Q4 higher, y-o-y, by more than one fourth. This was contributed to mainly by prices of crops of which mainly prices of cereals that increased by 70%. Price development of animal products also showed an accelerating trend which for most of products exceeded 20%, y-o-y. This significant growth of agricultural producer prices came not only from increased demand for food in the world and mainly in Asia, but also from bad harvest and consequently from supply failure of the leading world crop exporters such as USA, EU, Australia and Ukraine.

- **The terms of trade positive value was falling gradually in 2007**

Export prices in 2007 increased on average by 1.3%, y-o-y, to reverse the trend in comparison with the preceding two years when the export prices was falling. Import prices in 2007 fell, y-o-y, by 1%. Terms of trade reached in 2007 positive value (102.3%) which was a turn-up compared to previous two years when they showed negative values. However, the terms of trade figures in 2007 were falling gradually down to 100.0% in Q4.