

Prices

- ***Decrease in the price parity between plant and animal products***

The annual and monthly changes of prices made by farmers since the beginning of the year have been very diverse; the overall increase of the price level is due to big (positive and negative) deviations from the average change in the three quarters. Prices of farmers in the first three quarters of 2008 increased by 20.4%, the highest increases occurred in the 2nd quarter (by 27.3%) and the smallest in the 3rd quarter (by 7.3%). A significantly greater fluctuation and irregularities occurred in the price development of individual farming products; in the first three quarters of 2008 prices of plant products increased by 28.4%, which is only slightly more than one year ago, while prices of animal products significantly accelerated by 10.9%. In the course of this year the increase of prices charged by farmers slowed down, however to a different extent for the individual products, so in the 3rd quarter the increase of prices of plant products slowed down by substantial 17.2 p.p. and prices of animal products slightly accelerated.
- ***The total growth of prices of industrial products was most influenced by the increase of process for food, drinks and tobacco***

The aggregate price level of industrial manufacturers in the individual quarters of 2008 changed year on year in a relatively stable manner with a slightly accelerating growth rate. In the first three quarters of 2008 prices of industrial manufacturers increased by 5.4% year on year, with the biggest increase in the 1st quarter (by 5.6%). The smallest increase in the three quarters occurred in the processing industry products (by 4.3%), however they had the biggest influence on the change of the aggregate price level (3.6 p.p.). The growth of prices of mineral resources was the biggest (15.3%) and contributed by less than one tenth (0.5 p.p.) to the total increase. The growth of prices of electricity, gas and water by 9.2% contributed by slightly less than one quarter (1.3 p.p.) on the overall increase of prices of industrial manufacturers.
- ***Substantial growth of energy prices***

In the structure of the main industrial groups the prices of energy grew most in the first three quarters of 2008 year on year (by 14.7%), followed by prices of soft goods (by 5.0%) and prices of intermediate products (by 3.2%). The prices remained unchanged for products of investment nature and prices of consumer durables grew only very slightly (by 0.2%).
- ***Rapid growth of advertising services***

Prices of market services in the first three quarters of 2008 increased year on year by 3.7% and their growth was faster by 2.2 p.p. than one year ago. The overall price level was significantly influenced particularly by prices of business services and real estate services, which increased by 5.2%. Prices for advertising services increased significantly (by 10.7%) and prices of freight transportation and warehousing increased less (by 2.1%), as well as prices for postal services and telecommunications (by 1.9%), while prices for postal services grew particularly in the 3rd quarter (by 25.4%).
- ***Significant devaluation of purchasing power of households***

Consumer prices grew in the first three quarters of 2008 year on year by 6.9%, while in the 1st quarter it was by 7.4%, in the 2nd quarter by 6.8% and in the 3rd quarter by 6.6%. In the three quarters of 2008 prices of services grew significantly more (7.9%) than prices of goods (6.3%); the difference was big particularly in the 3rd quarter (8.1% and 5.7%). If structured by social groups of households the consumer prices grew most for the retired (by 8.8%), followed by households with children and minimum income (8.3%). The surge of the aggregate price level of consumer prices and devaluation of the purchasing power of money in the first three quarter 2008 by 6.5% was translated into expenses on final consumption, i.e. for the same quantity of goods and services the households paid by 85.2 billion CZK more than one year ago. The annual inflation rate in September 2008 amounted to 6.4%; one year ago it was 2.0%.
- ***The growth of housing prices accounted for more than one-third***

The year-on-year increase of the aggregate level of consumer prices in the first three quarters of 2008 was most affected by the growing prices of housing, water, energy and fuels by 10.0% (2.6 p.p.) The prices of net rents paid by tenants increased by 16.6%. Prices of food and non-alcoholic drinks had a high impact on the aggregate

contribution to the increase of the aggregate price level

level (1.7 p.p.) and grew by 10.3% and prices of alcoholic drinks and tobacco (0.9 p.p.) grew by 10.2%. Households paid significantly higher prices relating to healthcare (by 31,2%) while the impact on the aggregate growth was 0.6 p.p.

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

Consumer prices in EU 27 countries increased in the first three quarters of 2008 year on year – according to the harmonized index of consumer prices (HICP) – by 3.9%, while in the 1st quarter it was by 3.5%, in the 2nd quarter it was by 4.0% and in the 3rd quarter it was by 4.3%. Unlike the prices in the Czech Republic, their growth accelerated and so the inflation difference diminished in the course of the year. The gap between the growth of consumer prices in EU 27 countries (slower) and in the Czech Republic (faster) in the three quarters of 2008 increased to 3.0 p.p.

• Significant worsening of exchange rate relations in the first three quarters of 2008

Prices of the exported and imported goods expressed in Czech crowns in the first three quarters of 2008 decreased year on year; the export prices decreased more (5.7%) than import prices (3.8%) and the exchange rate relations were unfavorable (98.0%), which in comparison with the development in the first three quarters of 2007 meant a major negative change in the prices of exported goods (-7.9 p.p.) and exchange rate relations (-5.1 p.p.). This development was reflected in a significant loss from business transactions, which amounted to 42.8 billion CZK, and in comparison with the development in the first three quarters of 2007, when the business transactions resulted in profit of 53.5 billion CZK, it significantly decreased, however exclusively due to the losses on the export side.

• After "purging" from the influences of the CZK exchange rate the export prices grew by 3.0% and the import prices grew by 6.9%

Prices of the exported and imported goods expressed in Czech crowns in the first three quarters of 2008 were strongly affected by changes in the exchange rates and strengthening of the Czech crown. According to ČSÚ calculations, the Czech crown strengthened more in import operations than in export ones; in the first three quarters of 2008 the Czech crown appreciated on the export side by 9.2% and on the import side by 11.1%, while the index "purged" from influences of the exchange rate changes increased for export by 3.0% and for import by 6.9%; the exchange rate relations from the "purged" price indexes (96.4%) were thus more unfavorable than from price relations expressed in Czech crowns.