

## Prices

- **Modest growth of inflation pressures**

Consumer prices increased in Q1 and Q2 2007, y-o-y, by 2.0%, in Q2 2007 by 2.4% which was 0.6 p.p. up compared with the last three quarters' average. In the months of Q2 2007 no significant price wobbles took place, deviations from quarterly average were minimum. In Q2 an accelerated growth of both regulated prices up to 7.2 % (from 4.9 % in Q1) and market prices to 1.6 % (from 1.1 % in Q 1) was recorded. The price increase was mainly contributed to by food and prices of accommodation, gas, water and fuel supply which reflected namely the cost pressure while pressures of demand character were not so strong. Harmonised index of consumer prices in the CR reached in Q2 2007 its above-average value compared to the EU 27 and thus a change took place compared with the preceding two quarters when consumer price growth in the CR was lower than the EU 27 average.
- **Growth of industrial producer prices continued**

For the third quarter in a row the growth of industrial producer prices continued, y-o-y, while the growth in Q2 (4.2%) exceeded the growth in Q1 (3.2%). The biggest contribution to the acceleration of growth was attributed to basic metals, food and energy sources, i.e. those market segments which, as a rule, show higher fluctuation. In June 2007 the year-on-year growth of industrial producer prices in the CR was higher (almost twice faster) than the EU 17 average.
- **Agricultural producer prices grew more slowly**

In Q2 2007 a turnaround took place in the agricultural producer prices development trend. Unlike the previous three quarters when the price growth accelerated, in April, May and June the growth began to slow down. These developments owed mainly to discontinuation of growth and gradual decrease of crop products prices.
- **Turnarounds in terms of trade development**

Export prices of goods in Q1 and Q2 increased, y-o-y, by 2.4% while prices in Q2 grew faster compared to the first months of 2007. Import prices of goods decreased in Q1 2007, y-o-y, by 1.0%, in Q2 the price drop was only negligible. Terms of trade in semi-annual measurement reached positive value (103.4), however, they showed more favourable values in Q1. Decisive influence on the terms of trade development had the fluctuation of the CZK exchange rate to foreign currencies. Import prices in sections important in terms of weights did not fall and negative value of y-o-y terms of trade was not recorded for any of observed sections. A new feature of development in a short-term period was the fall of terms of trade value in m-o-m measurement from 100.5% in Q1 down to 99.6% in Q2. The import and export price development was in Q1 and Q2 2007 significantly affected by turbulences in the world commodity markets and mainly prices of crude petroleum, natural gas and metals.