

5. Prices

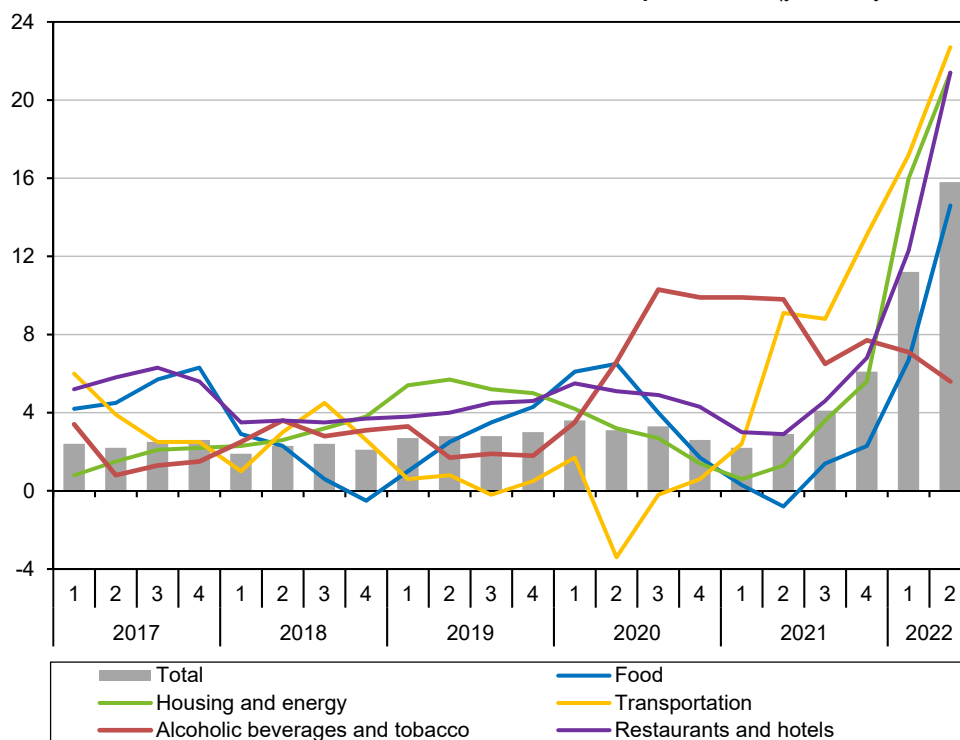
Year-on-year growth of the total price level was the highest since Q3 2008.

Total year-on-year increase of the price level (gauged by the GDP deflator) reached 6.6% in Q2 2022. The gain thus accelerated compared to the previous quarter and it was the highest since Q3 1998. Prices of consumption goods rose sharply (11.2%), especially those consumed by households (16.3%). Prices of government institutions consumption grew only slightly (1.3%). Prices of capital goods increased by 11.6% year-on-year. Terms of trade remained negative fourth quarter in a row and deepened to 94.3%. In that, terms of trade with goods were 93.2%, while there were strongly positive for services (103.0%). The total price level increased by 2.0% quarter-on-quarter. Prices of consumption went up by 3.4% (in that household consumption by 5.2%) and capital goods by 3.2%.

Year-on-year growth of consumer prices further sharply accelerated.

The consumer price index hiked up by 15.8% year-on-year in Q2 2022. The growth pace thus substantially strengthened against the preceding quarter (the year-on-year increase attained 11.2% in Q1). Prices of goods were by 17.4% higher year-on-year and prices of services by 13.1%. The year-on-year growth of prices was accelerating in most of the consumption basket divisions, but food and non-alcoholic beverages and housing and energies had the largest impact on the acceleration of the total price growth. Together with the prices of transportation, they also had the largest share on the total year-on-year increase. The consumer prices rose by 5.1% quarter-on-quarter (it was 6.3% in Q1). Prices of restaurants and hotels, transportation, food and non-alcoholic beverages or housing and energies had a very strong quarter-on-quarter increase. Consumer prices rose by 13.5% year-on-year for the whole H1.

Chart 10 Prices in the selected divisions of the consumer price index (year-on-year in %)



Source: CZSO

Prices of housing and energies the most contributed to the total increase of prices.

Prices of housing and energies jumped by 21.4% year-on-year in Q2. The pace thus accelerated excessively, specifically mainly under the influence of prices of electricity, gas and other fuels, whose year-on-year gain went up to 34.1%, and also due to the

imputed rent¹ (19.0%). Prices of rentals for housing were by 4.6% higher year-on-year, prices of regular maintenance and repairs by 20.3% and other services relating to the dwelling by 4.7%. Compared to Q1, the prices of housing and energies increased by 5.5% (by 10.6% in Q1).

Prices of food and non-alcoholic beverages rose steeply.

Prices of food and non-alcoholic beverages were raised by 14.6% year-on-year. Severe strengthening of the year-on-year dynamics was mostly linked to the increase of prices of cereals and cereal products (20.1%), meat (16.2%), milk, cheese and eggs (17.5%), which corresponded to the similar increase of prices in the production sphere. The addition to prices of oils and fats was also very strong (33.4%). Prices of food and non-alcoholic beverages increased by 7.7% quarter-on-quarter. The year-on-year addition to prices of transport also gained pace (22.7%). Costs of operating a personal transport equipment played the main role on the growth of prices of transportation (they increased by 32.1% year-on-year), when they mirrored the raised prices of motor fuels. Strengthening of the year-on-year dynamics of the prices of purchases of motor vehicles, motorcycles and bicycles however also continued (13.9%). Reduction of the student fare discounts also led to the year-on-year increase of prices of transport services by 16.7%. Prices of transport increased by 8.0% compared to Q1.

Prices grew in the absolute majority of consumption basket divisions.

Year-on-year growth of prices of restaurants and hotels sharply accelerated to 21.4% in Q2 (it was 12.3% in Q1). The addition increased for both restaurants (21.9%) and hotels (17.9%). Prices of restaurants and hotels were by 8.9% higher quarter-on-quarter, which was the most among all consumption basket divisions. Prices of recreation and culture grew by 11.3% year-on-year. Prices of other items for recreation and leisure time were raised by 16.3%, audio-visual and photographic equipment by 11.9%. Prices of package holidays increased by 10.2%, prices of recreational and cultural services by 8.9% and in case of newspapers, books and paper goods the increase was 11.1%. Items which with the view to their low weight usually are not reflected in the index so notably recorded marked contribution to the year-on-year growth of the consumer prices. It involves wearing apparel and footwear, whose prices were by 20.0% higher year-on-year, and household equipment, goods and repairs, whose prices went up by 11.7%. Year-on-year addition to prices of other goods and services accelerated to 9.7% and health to 8.4%. In contrast the growth of prices of alcoholic beverages and tobacco moderated to 5.6%.

Growth of consumer prices in the EU also accelerated.

Year-on-year growth of the Harmonised Index of Consumer Prices (HICP)² in the EU quickened to 8.8% in Q2 (it reached 6.5% in Q1). The price growth strengthened in all EU countries and was affected mainly by the development of prices of food, housing and energies and transportation, but the acceleration of the year-on-year dynamics was apparent for the majority of divisions of the consumption basket also in Europe. The consumer prices grew the most in Estonia (20.4%), Lithuania (18.5%) and Latvia (16.4%), where the prices of energies increased steeply, year-on-year in Q2. The Czech Republic ranked immediately behind them with the year-on-year increase in the amount of 15.0%. It thus considerably also exceeded its Central European neighbours – Poland (12.8%), Slovakia (11.8%) and mainly Germany (8.3%) and Austria (7.9%). Consumer prices grew the least in Malta (5.8%), France (5.9%) and Finland (7.0%) year-on-year.

¹ Imputed rent expresses the cost of owner living. Apart from prices of housing themselves, it also contains the cost of construction and renovation and further fees. More at: <https://www.czso.cz/csu/czso/metodicka-poznamka-k-indexu-spotrebitelskych-cen-imputovane-najemne>.

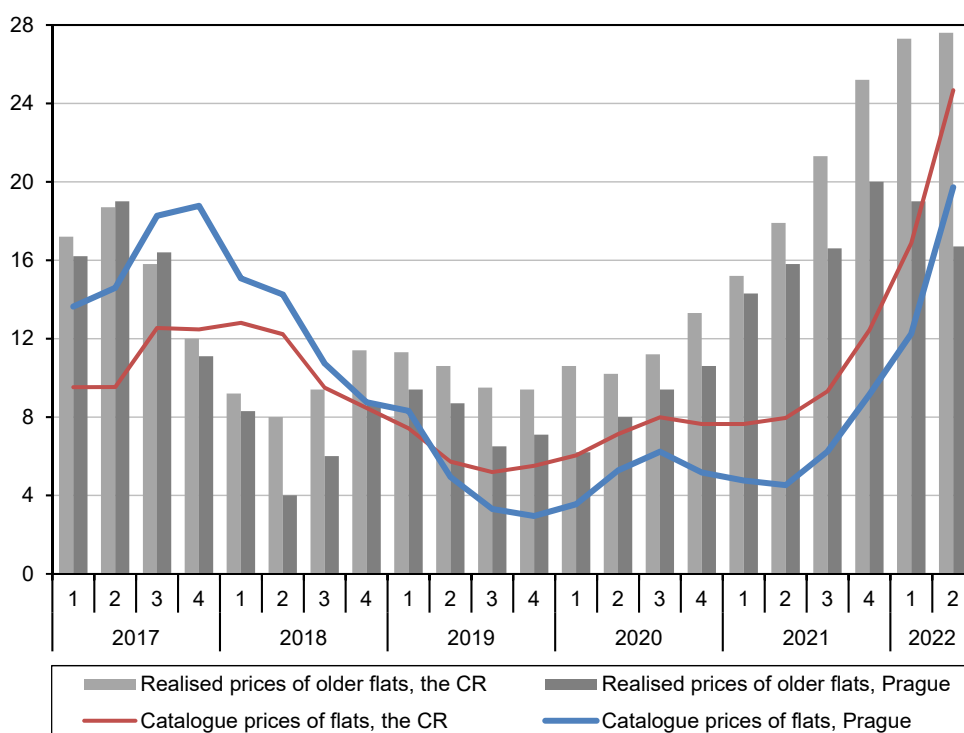
² Contrary to the consumer price index, which is compiled by the CZSO for the Czech economy, HICP does not consist of imputed rent, which is the main reason for the difference between the gauged growth rates of prices.



Catalogue prices of flats sharply increased.

The year-on-year growth of the catalogue prices of flats further accelerated in the CR and it amounted to 24.7% in Q2. While the increase of catalogue prices of flats in the CR outside of Prague strengthened to 30.6% and in Prague it accelerated to 19.7%. Quarter-on-quarter growth of the catalogue prices of flats strengthened to 8.7% in the CR, it reached 9.5% in the CR apart from Prague and by 8.0% in Prague. Realised prices of older flats were by 27.6% higher in the CR year-on-year in Q2. At the same time the year-on-year pace strengthened only slightly after the period of substantial acceleration. The year-on-year growth of realised prices of older flats even weakened in Prague for the second time in a row (16.7%). The dynamics mildly strengthened to 30.8% in the whole CR without Prague. Quarter-on-quarter, the realised prices of older flats increased by 5.3% in the CR, by 6.2% in the CR without Prague and by 1.8% in Prague. Realised prices of new flats increased by 26.3% in Prague year-on-year, but only by 0.5% quarter-on-quarter, which represented the smallest increase since the end of year 2017.

Chart 11 Prices of real estate (year-on-year change, in %)



Source: CZSO

Continuing growth of prices of materials drove the year-on-year dynamics of the industrial producer prices.

Industrial producer prices increased by 27.7% year-on-year in Q2. Quarter-on-quarter, they went up by 7.8%. The year-on-year thus further accelerated, mainly under the influence of growing prices of oil and natural gas and also electricity. Manufacturing, whose prices year-on-year increase strengthened to 24.2%, had an essential share on the growth of prices of industrial producers. The development of prices of coke and refined oil products³ contributed the most. Prices of basic metals and fabricated metal products grew massively (33.4%) and year-on-year increases of prices of food products, beverages and tobacco (18.6%), rubber and plastic products (20.7%), chemical substances and products (42.8%), wood, paper and print (32.7%) also had a strong impact. Prices of textile, wearing apparel and leather (13.8%), machinery and equipment (12.6%), furniture and other manufacturing products (9.4%), computers, electronic and optical appliances (7.6%), electrical appliances (7.6%) and basic pharmaceutical products (7.1%) also grew strongly. Prices of transport equipment

³ Exact values of the indicator are not provided to due to the protection of individual data.

(2.1%), which did not join the growth trend observed in the rest of industry in the previous quarters, also features a mild year-on-year increase.

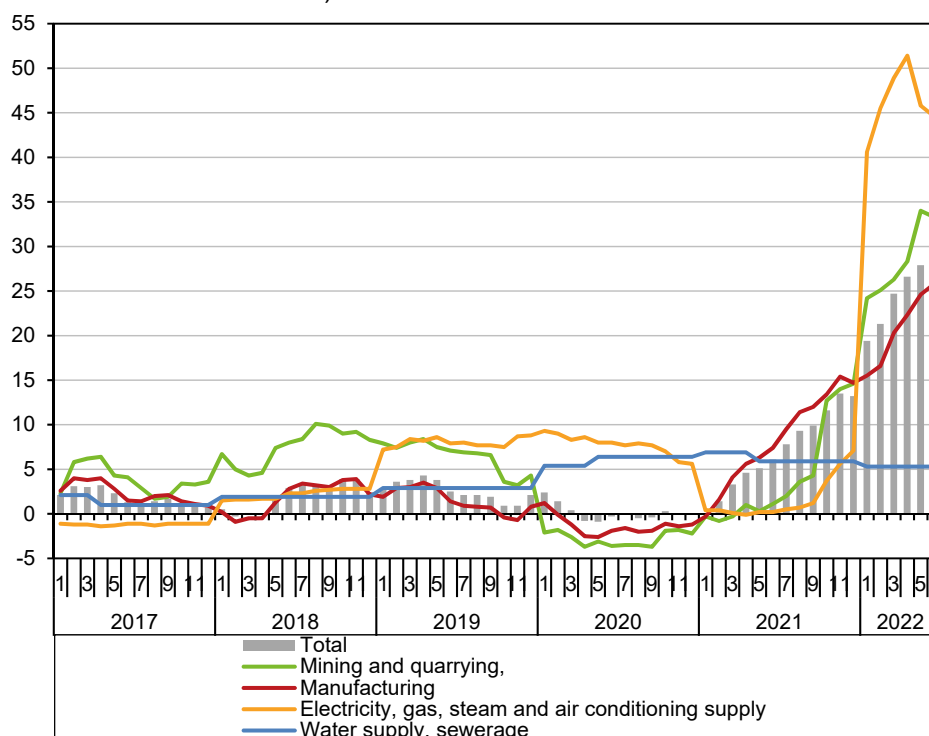
Electricity prices substantially contributed to the increase of industrial producer prices.

Electricity, gas, steam and air conditioning also considerably contributed to the industrial producer price growth. The year-on-year increase of their prices slightly strengthened to 47.2% in Q2. Year-on-year growth of prices of mining and quarrying was also strengthening (31.9%). Prices of extraction of oil and natural gas and coal featured immense growth, but prices of other mining, where for instance building materials belong, also kept growing strongly. Prices of water supply, sewerage and waste management were raised by 5.3%.

Industrial producer prices continued strongly growing in the EU.

Year-on-year increase of industrial producer prices in the EU⁴ amounted to 36.5% in Q2 2022. The increase quickened, however its strengthening was milder compared to the preceding quarters. Producer prices rose by 6.2% quarter-on-quarter, which presents a slower pace than in the previous two quarters. The prices of electricity, gas, steam and air conditioning grew the most in the EU (100.8%), the acceleration of their dynamics nevertheless halted. Prices of mining and quarrying were by 81.7% higher year-on-year in Q2, which represented substantial strengthening of the pace. Prices were higher by 20.8% in manufacturing. The industrial producer prices increased the most in Romania (60.4%), Denmark (59.2%) and in Belgium (51.9%). The addition to prices in Estonia also overtook the 50% level (50.5%). Prices of industrial producers increased the least in Malta (9.5%), Sweden (23.3%) and Cyprus (24.5%) year-on-year.

Chart 12 Prices of main groups of industrial producers (year-on-year change, in %, based on CPA classification)



Source: CZSO

Year-on-year dynamics of prices of construction works also strengthened.

Prices of construction works increased by 3.8% as estimated quarter-on-quarter in Q2. It was significantly added by the development of prices of materials and productions consumed in construction, which increased by 9.1%. Year-on-year growth of prices of

⁴ Without prices of water distribution and services associated with wastewaters.



construction works strengthened to 13.1%. In that prices of materials and products used in construction were by 25.9% higher in comparison to the same period of year 2021.

Growth of prices of market services was stronger.

Year-on-year growth of prices of market services further quickened to 5.8%. They were by 2.3% compared to Q1. Prices of storage and support services in transportation added the most to the year-on-year growth (15.4%). Prices of advertising services and market research, which increased by 19.5% and contributed the most to the acceleration of the total growth of prices of market services, also had a notable influence. Prices of land and pipe transportation (year-on-year increase of 5.8%), services in the area of programming and related consultancy activities (4.5%), services in the area of employment (14.5%), architectural and engineering services and technical testing and analysis (5.0%), services in the real estate area (3.2%) also significantly shared in the growth. Only prices of telecommunication services were lower year-on-year (-1.1%).

Increase of costs of energies and production inputs was reflected in the development of prices of agricultural production.

Prices of agricultural production hiked up by 39.0% year-on-year in Q2. Compared to Q1, they grew by 18.9%. Their year-on-year growth sharply accelerated and development of both plant and animal production participated. Prices of plant production increased by 54.4% year-on-year. It also mirrored the increase of prices of crops on the global market (e.g. wheat), but also the marked heightening of costs – fuels or for instance fertilisers. Prices of cereals grew steeply (60.0%), in that price of wheat by 64.3%, rye by 80.7%, barley by 53.4%, oat by 42.5% and corn by 44.2%. Prices of industrial crop went up by 59.6%, in that oil plants by 59.6% (seed of the oilseed rape were by 64.1% more expensive year-on-year) and legumes by 56.7%. Prices of forage plants were higher by 5.9% and prices of vegetables and garden products by 18.2%. Year-on-year growth of prices of potatoes markedly strengthened (30.0%). Prices of fruit grew moderately (2.4%). Prices of agricultural production were by 21.2% higher in Q2. The dynamics of prices of farm animals strengthened (20.9%), in that prices of cattle increased by 29.5%, pigs and piglets by 20.0% and prices of poultry by 13.0%. Year-on-year increase of prices of animal products accelerated to 21.4%. Prices of milk were raised by 21.6% and eggs by 18.8%.

Export prices grew strongly.

Prices of exports of goods were by 15.1% higher year-on-year in Q2. Exchange rate development had in total an anti-inflationary effect. Since in the end the year-on-year stronger koruna foreign exchange per euro outweighed its depreciation towards dollar⁵. Prices of export of mineral fuels and lubricants (151.3%), other materials⁶ (36.6%), food and live animals (26.0%), semi-finished products⁷ (24.8%), chemicals and related products (17.3%) increased the most year-on-year. Prices of exports of miscellaneous manufactured articles (6.5%), beverages and tobacco (3.8%), machinery and transport equipment (2.0%) were also higher. Prices of exports of goods increased by 5.9% quarter-on-quarter. Prices of mineral fuels (19.8%), other materials (13.8%) and food (12.6%) grew the most.

Terms of trade of foreign trade with goods were strongly negative.

Prices of export of goods increased by 20.0% year-on-year in Q2. Prices of mineral fuels and lubricants (134.0%), semi-finished products (23.0%), other materials (17.5%), chemicals and related products (15.8%), beverages and tobacco (15.7%), food and live animals (11.8%) increased the most. Prices of imports of miscellaneous manufactured articles (8.0%), machinery and transportation equipment (2.8%) went also up. Quarter-on-quarter, the prices of exports were by 6.8% higher. Similarly to exports, the prices of mineral fuels (20.9%), other materials (14.8%) and food (7.6%) grew the most. Year-

⁵ Based on the CNB data, the average koruna foreign exchange per euro reached 24.644 CZK/EUR in Q2 2022. Koruna foreign exchange per dollar markedly depreciated year-on-year. The average was 21.265 CZK/USD in Q2 2021 and 23.165 CZK/USD this year.

⁶ SITC 6 – manufactured goods classified chiefly by material.

⁷ SITC 2 – crude materials inedible, except fuels.

on-year terms of trade were negative in Q2 and deepened to the value of 95.9%. The terms of trade were negative for trade with beverages and tobacco (89.7%), miscellaneous manufactured articles (98.6%), machinery and transport equipment (99.2%). On the contrary, terms of trade were positive in trade with other materials (116.3%), food and live animals (112.7%), mineral fuels (107.4%), semi-finished products (101.5%), chemicals and related products (101.3%). The terms of trade reached value of 99.2% quarter-on-quarter.

