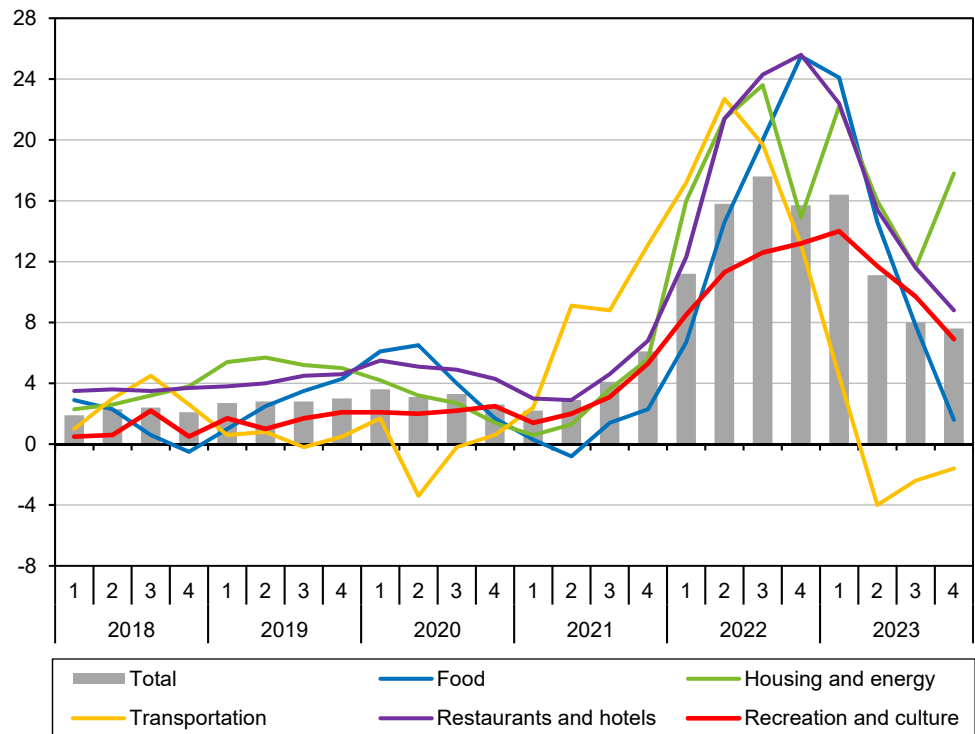


5. Prices

Total price level strongly grew last year.

Total price level gauged by the GDP deflator increased by 8.6% in the economy for the whole year 2023. Prices of consumption were by 8.2% higher, while the growth weakened to 9.3% for the household consumption and price level of goods consumed by the sector of general government increased by 5.8%. Prices of capital goods (4.2%) grew slower against the whole economy. Import prices of goods and services slumped more markedly than prices of export last year, which led to considerably positive terms of trade, which arrived at 102.7%. The price level climbed up by 6.0% year-on-year in Q4 2023, the slowest since the end of year 2021. Consumer prices were by 5.0% higher year-on-year, in that by 6.0% for households and by 2.5% for government. Growth of prices of capital goods strengthened to 3.5% in Q4. Terms of trade remained positive and reached 102.5%. Terms of trade of the international trade with goods reached 102.0%, while it was 105.2% for services. Quarter-on-quarter, the total price level did not change in Q4. Consumption experienced growth of 0.4% and prices of capital goods were raised by 3.6%. Quarter-on-quarter terms of trade were however negative and reached 98.4%.

Chart 11 Prices in the selected divisions of the consumer price index (year-on-year in %)



Source: CZSO

Year-on-year growth of consumer prices slowed its pace during the year.

Year-on-year growth of the consumer prices gradually slowed down during the year 2023 (16.4%, 11.1% and 8.0% in Q1, Q2 and Q3) and the end of the year was not an exception. The consumer price index increased by 7.6% year-on-year in Q4 2023. The year-on-year dynamics of the absolute majority of consumer basket divisions slowed down against Q3. Housing, water, energies and fuels formed the exception, the comparative basis from the end of year 2022, where the inflation calculation included the saving tariff and the prices of energies thus suddenly fell, was evident there. The slump of prices of transport also moderated. Housing and energies, recreation and culture, restaurants and hotels and alcoholic beverages and tobacco the most contributed to the year-on-year growth of the consumer prices in Q4 2023. The effect of food and non-alcoholic beverages, which stimulated the price growth in the previous quarters, sharply fell. Only prices of transport were falling year-on-year. Consumer

prices decreased quarter-on-quarter by 0.4% in Q4. The increase of consumer prices reached 10.7% for the whole year 2023. Compared to year 2022, the increase moderated by 4.4 p.p. Development of prices of housing and energies, food and non-alcoholic beverages, recreation and culture and restaurants and hotels contributed the most to the total increase of prices. Only prices of transport decreased last year.

In contrast to the rest of prices in the consumer basket, housing and energies recorded acceleration of the year-on-year growth towards the end of the year.

As already mentioned, prices of housing and energies were the only division of the consumer basket in Q4, which experienced the acceleration of the year-on-year price growth. The increase surged to 17.8%. Year-on-year increase of rentals for housing (7.5%), common maintenance and repairs (6.2%), imputed rentals¹ (0.3%) was milder and the increase of prices for other services associated with dwelling (15.3%) stayed the same. The increase of prices of electrical and heating energy, gas and other fuels nevertheless surged last year in Q4 (47.1%) due to the comparative basis of the end of year 2022. Quarter-on-quarter, the prices of housing, water, energy and fuels lowered by 0.4%. The price increased for the whole year 2023 in this division arrived at 16.8%. The increase of prices of energies and fuels (37.2%) stood behind it to a major part, nevertheless prices of other items were also higher.

Year-on-year growth of prices of food markedly slowed down in Q4.

The growth of prices of food and non-alcoholic beverages further slowed down considerably year-on-year in Q4 (decrease occurred already in December), and the increase reached 1.6% for the whole quarter. Year-on-year increase of prices of bread and cereals (3.0%), vegetables (16.6%), fruit (8.2%), sugar and associated products (4.4%) as well as other food products (7.0%) was milder. Development of prices of meat (-1.5%) and milk, cheese and eggs (-7.0%) got from growth into decrease in Q4. Prices of oils and fats remained in deep decline (-10.0%). Prices of food and non-alcoholic beverages decreased by 1.4% quarter-on-quarter. Prices of food and non-alcoholic beverages rose by 11.5% for the whole year 2023 and the increase thus reduced by 5.2 p.p. against year 2022. Prices in this division thus surged by 30.1% in the last two years. Prices of bread (13.6%), meat (7.7%), milk, cheese and eggs (10.6%) and vegetables (21.5%) influenced the most last year's increase of prices of food and non-alcoholic beverages.

Increase of prices of various services remained robust.

Recreation and culture, whose prices increased by 6.9% year-on-year belonged among consumer basket divisions, which contributed the most to the total growth of consumer prices in Q4. Prices of recreation with complex services (9.7%) and recreation and cultural services (8.6%) held the largest proportion of this increase. Prices of recreation and culture decreased by notable 3.6% quarter-on-quarter. This division belonged to the significant drives of the price growth also from the view of the whole year 2023. Prices increased in total by 10.5% here last year, mainly under the influence of recreation with complex services (15.3%). Also, the prices of restaurants and hotels significantly spoke into the year-on-year consumer inflation in Q4 as well as for the whole year 2023. Their year-on-year increase slowed to 8.8% in Q4 but kept further growing relatively substantially quarter-on-quarter (1.1%). Prices of restaurants and hotels increased by 14.2% for the whole year 2023. Prices of alcoholic beverages and tobacco held steadily strong influence over the year-on-year growth of the consumer prices. They increased by 5.9% year-on-year in Q4, decreased by 0.3% quarter-on-quarter and were by 6.6% higher for the whole year.

Year-on-year dynamics of prices of clothing and footwear slowed down.

Prices of clothing and footwear as well as the furnishings, household equipment and maintenance experienced sharp surge in year driven by the renewed consumer demand. A gradual decline of the year-on-year price dynamics however occurred here

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. <https://www.czso.cz/csu/czso/methodological-note-to-consumer-price-index-imputed-rentals>.



during the last year. Prices of clothing and footwear were raised by 7.1% year-on-year in Q4 and by 3.9% quarter-on-quarter and prices of furnishings, household equipment and maintenance were by 2.7% higher year-on-year and stagnated quarter-on-quarter. Prices of clothing and footwear rose by 11.1% for the whole year 2023 (moderation against year 2022 by 7.5 p.p.) and prices of furnishings, household equipment and maintenance by 7.6% (-4.4 p.p.). Prices of other goods and services² also considerably grew in the last two years in connection to the post-pandemic revival of demand and their year-on-year dynamics weakened to 5.5% in Q4 2023. They were by 0.3% higher quarter-on-quarter and increased by 9.4% for the whole year 2023. Less weight significant items maintained a considerable price growth for the whole year 2023 – post and telecommunications (3.6% for the whole year), health (8.8%) and education (7.0%).

Prices of transport in total decreased last year.

Prices of transport were falling year-on-year except for the first quarter of the year. Their fall slowed down to 1.6% in Q4. The only item in the division, where the prices grew year-on-year were the transport services (7.9%). The year-on-year decrease of prices of purchase of vehicles deepened (-3.8%). The decrease however slowed down in case of costs of their operations (-1.5%), in that decrease of prices of fuels reached 6.5%. Prices of transport lowered by 0.3% quarter-on-quarter. Prices of transport fell by 4.1% for the whole year 2023. In that, prices of operation of personal transport equipment dropped by 4.1% (fuels -12.0%), prices of purchase of vehicles itself practically stagnated (0.1%) and prices of transport services were by 12.0% higher.

Year-on-year growth of consumer prices in the EU gradually slowed down.

Harmonized index of consumer prices (HICP) in the EU³ increased by 6.4% in year 2023. The increase against year 2022 slowed down (from 9.2%), mainly under the effect of weaker growth of prices of energies and fuels, which was mirrored in the milder growth of prices of housing and energies (from 18.0% to 3.4%) and transport (from 12.1% to 2.5%). Growth of prices of food and non-alcoholic beverages (12.6%), hotels and restaurants (8.4%) mildly strengthened last year and prices of alcoholic beverage and tobacco (7.8%) and recreation and culture (6.1%) also grew stronger. Based on the HICP, the consumer prices grew the most in Hungary (17.0%), the CR (12.0%) and Slovakia (11.0%) and the dynamics of prices crossed the 10% boundary also in Poland (10.9%) last year. Consumer prices increased the least in Belgium (2.3%), Luxembourg (2.9%) and similarly by 3.4% in Denmark and Spain last year. The year-on-year growth of prices gradually slowed down during the year to 3.4% in the EU in Q4. Prices grew the most in the CR (8.4%), Hungary (7.6%) and in Romania (7.4%). Belgium was the only country, where HICP fell year-on-year in Q4 (-0.6%). Consumer prices grew the slowest year-on-year in Denmark (0.1%) and in the Netherlands (0.4%). HICP in the EU increased by 0.2% quarter-on-quarter in Q4.

Prices of flats decreased year-on-year.

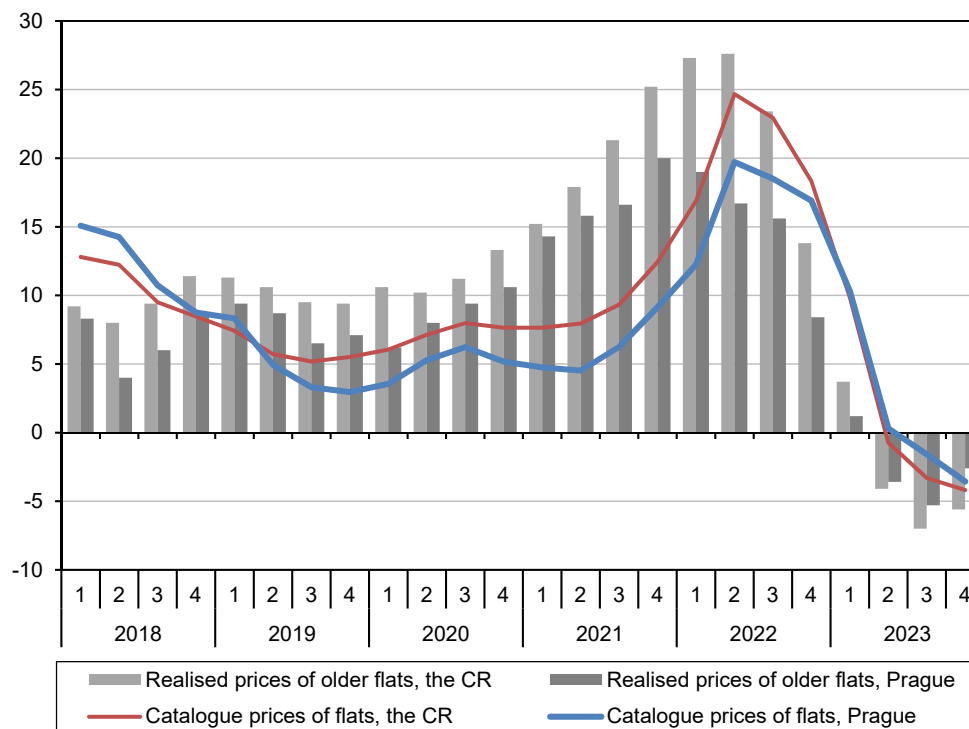
Catalogue prices of flats continued in their year-on-year decrease in the CR in Q4, which lasted already the third quarter and deepened to -4.2%. Catalogue prices of flats in the CR lowered by 0.4% quarter-on-quarter, for the fourth time in a row. Prices of flats outside Prague sank more notably year-on-year in Q4 (-4.9%), which also fell quarter-on-quarter for the fifth time in a row, specifically by 0.9%. Catalogue prices of flats fell by 3.6% in Prague year-on-year and did not change quarter-on-quarter. Realised prices of older flats in the CR fell by 5.6% year-on-year in Q4 and the decrease thus moderated compared to the previous quarter. At the same time, the realised prices again increased quarter-on-quarter (0.4%) towards the end of year 2023 following four quarters of decreases. Realised prices of flats outside Prague fell by 6.4% year-on-year and their quarter-on-quarter decrease also lasted (-0.3%). Situation in Prague differed from the rest of the country in Q4 2023. Realized prices of older flats grew by 3.2%

² Contains services of personal care and personal needs and accessories, social care, insurance and further financial services etc.

³ Contrary to the consumer price index, which is compiled by the CZSO for the Czech economy, HICP does not include imputed rent, which is the main reason for the difference between the HICP and Consumer price index.

quarter-on-quarter here and their year-on-year decrease thus reduced to -2.6%. Realised prices of new flats, which are survey only for Prague, decreased by 3.3% year-on-year in Q4 and by 1.9% quarter-on-quarter.

Chart 12 Prices of real estate (year-on-year change, in %)



Source: CZSO

Industrial producer prices grew year-on-year for the whole year, the increase nevertheless slowed down during the year.

Industrial producer prices increased by 0.8% year-on-year in Q4. Their growth markedly slowed down during the last year (15.0%, 3.9% and 1.3% in Q1, Q2 and Q3). Quarter-on-quarter, the industrial producer prices decreased by 0.3% in Q4. Industrial producer prices increased by 5.0% for the whole year 2023. Year-on-year growth of the prices of mining and quarrying (40.2%) stayed at a very high level in Q4 itself. Year-on-year growth of prices of petroleum and natural gas strengthened (40.6%), the increase for black and brown coal and lignite weakened to 61.9% and the dynamics for other mining and quarrying of mineral resources was still substantial (18.6%), including mainly building materials. Strong year-on-year growth of prices of mining and quarrying for the whole year 2023 (in total by 46.4%) was the result of mainly sharp quarter-on-quarter increase in the first quarter of the year. Prices increased by 0.8% in this division quarter-on-quarter in Q4. Also, for the prices of electricity, gas, steam and air conditioning, the year-on-year growth slowed during the year down to 7.1% in Q4. Prices lowered here by 0.5% quarter-on-quarter. Their increase was 15.8% for the whole year 2023. Prices of water distribution and services associated with wastewaters rose by 16.3% in Q4, the same as for the whole last year.

Mainly prices of materials were falling in manufacturing.

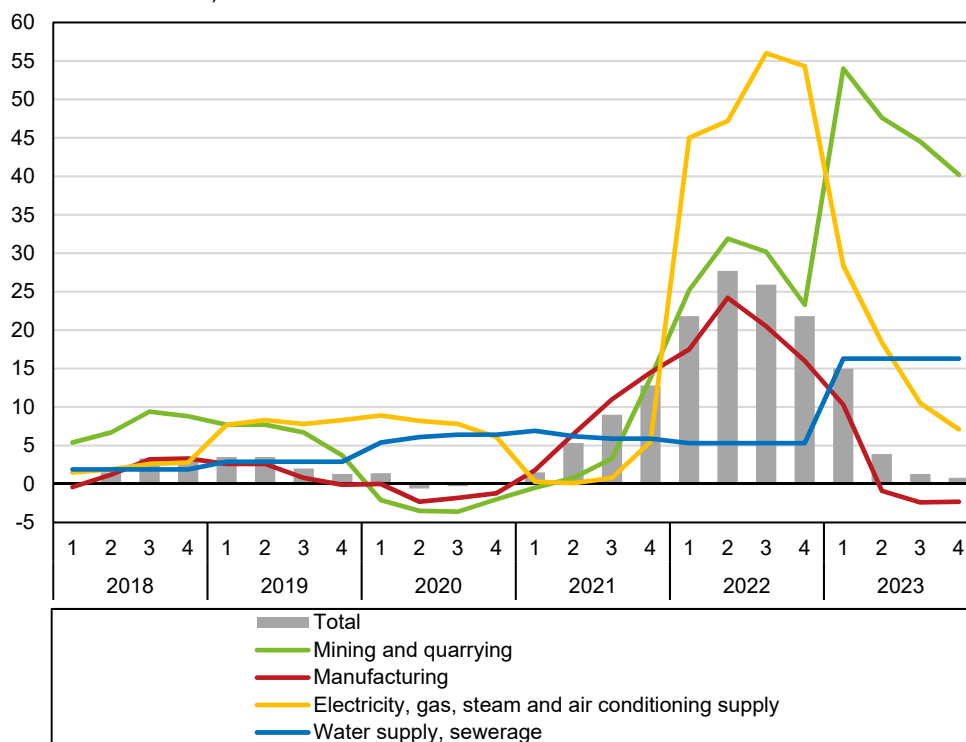
Prices of manufacturing decreased (-2.3%) year-on-year in Q4. Quarter-on-quarter, the prices dropped by 0.3% in Q4. Prices of products associated with basic materials, such as wood and wood products (apart from furniture, -22.9%), paper and paper products (-14.5%), basic metals (-14.5%) or chemical substances and products (-9.2%) were in deep year-on-year decline in Q4. Prices of coke and refined petroleum products were also lower⁴. Year-on-year decrease was also recorded for food products (-3.1%), rubber and plastic products (-3.0%) or metalworking products (-0.5%). Strong

⁴ Precise values of the indicator are not provided due to the protection of individual data.



year-on-year increase stayed for prices of repairs, maintenance and installation of machinery and equipment (9.6%) and prices of weight significant types of goods, such machinery and equipment (6.1%), computers, electronic and optical appliances (4.8%), motor vehicles (3.3%) or electrical appliances (0.8%) also increased year-on-year.

Chart 13 Prices of main groups of industrial producers (year-on-year change, in %, based on CPA classification)



Source: CZSO

Prices of manufacturing in total increased last year.

Following the strong increase at the beginning of the year (10.3% in Q1), the year-on-year dynamics of prices fell into decrease in manufacturing (-0.9% and -2.4% in Q2 and Q3) and prices in this division increased by 0.9% in total for the whole year. Yearly result in the direction of downturn affected especially the development of prices of materials and associated products, where the high comparative basis of year 2022 played a role – wood and wood products (apart from furniture, -12.7%), basic metals (-9.4%), chemical substances and products (-9.0%), paper and paper products (-4.2%) or prices of coke and refined petroleum products. On the contrary, the prices of beverages considerably increased (12.2%) as well as food products (8.6%), repairs, maintenance and installation of machinery and equipment (9.5%), machinery and equipment (8.0%), computers, electronic and optical appliances (4.0%) or motor vehicles (3.7%).

Industrial producer prices decreased in the EU last year.

Development of industrial producer prices in the EU⁵ was rather varied last year. After the sharp surge from year 2022 (34.4%), industrial producer prices fell in total by 2.1% in the EU last year. While the prices still grew strongly despite pace weakening in some countries – by 21.5% in Hungary, by 17.2% in Luxembourg and by 16.9% in Slovakia, 14 countries observed decrease, the most in Ireland (-25.6%), Bulgaria (-12.5%) and Belgium (-9.3%). In total prices of mining and quarrying (-6.9%) and electricity, gas, steam and air conditioning (-12.7%) sank in the EU last year. On the contrary, prices of manufacturing slightly grew in the EU last year (1.9%). Industrial producer prices fell by 8.9% year-on-year in the EU in Q4 itself, while they slightly grew quarter-on-quarter

⁵ Without prices of water distribution and services associated with wastewaters.

(0.2%). Year-on-year decrease of the industrial producer prices affected all divisions – prices of mining and quarrying were lower by 10.0%, prices of manufacturing by 1.6% and prices of electricity, gas, steam and air conditioning by 26.0%. Industrial producer prices were falling in the majority of EU countries year-on-year in Q4 except for Luxembourg (19.1%), Slovakia (8.1%), Slovenia (2.4%), the CR (0.8%) and Malta (0.8%). In contrast, the industrial producer prices plunged the most year-on-year in Ireland (-22.0%), Bulgaria (-20.3%) and Belgium (-19.2%).

Prices of materials and goods used in construction grew markedly slower last year than in year 2022.

Year-on-year growth of prices of construction work gradually slowed down during year 2023 and according to estimates reached 3.2% in Q4. Quarter-on-quarter, the price of construction work went up by 0.6%. Prices of construction works then increased by 6.0% for the whole year 2023 (more accurate figure after revision in year 2022 by 12.4%). Prices of material inputs of construction output in contrast fell by 0.3% year-on-year in Q4 and were by 0.7% lower quarter-on-quarter. Prices of material inputs of construction output increased on average by 3.8% for the whole year 2023. It represents sharp deceleration in comparison to year 2022, when prices of material inputs of construction output were raised by 20.7% and the material costs were thus a substantial break on the construction output development.

Growth of prices of market services stayed at high level for the whole year.

Prices of market services increased by 4.9% year-on-year in Q4 and the increase was thus the mildest for the whole year 2023. The prices increased by 1.2% quarter-on-quarter in Q4. Prices of services in the area of real estate (year-on-year increase of 6.7%), services in programming and associated consultancy (6.5%), land transport and transport via pipelines (3.1%) and employment activities (15.6%) worked the most in the direction of the year-on-year growth. Development of prices of cleaning activities (12.9%), postal and courier services (11.7%), information (10.0%), legal and accounting activities (6.8%), advertising and market research (4.3%), warehousing and support activities for transport (3.6%) or architectural and engineering activities and technical testing and analysis (2.6%) also had a significant contribution. Year-on-year dynamics of prices of market services remained high and unlike the rest of the economy did not decelerate notably during the year. It manifested the persisting strong nominal growth of wages, which form a key part of costs for services. Prices of market services increased by 5.6% for the whole year 2023. Prices of services in the area of programming and associated consultancy (growth of 8.2%), real estate (6.5%), land transport and transport via pipelines (4.2%) and employment activities (22.1%) contributed the most.

Prices of agricultural producers markedly sank year-on-year in Q4.

Agricultural producer prices (including fishes) fell by 14.5% year-on-year in Q4 2023 and the depth of the slump thus nearly did not change against Q3. Prices of both crop (-16.5%) and animal (-10.9%) production were lower year-on-year. Prices of cereals deeply lagged behind the level of the same period of year 2022 (-36.0%). Prices of wheat, rye, barley, oats as well as corn plummeted by tens of percentages year-on-year. Prices of industrial crops were by 16.7% lower, in that oil seeds by more than one third. On the contrary, prices of sugar beet went up by 14.8%. Prices of forage plants were however raised by 17.9% year-on-year, vegetables and horticultural products by 12.5%, potatoes by 34.7% and fruits by 32.8% (mainly apples had an effect with more than one third price increase). Within animal production, prices of live animals stagnated year-on-year in Q4 (0.1%), in that however prices of poultry (-6.9%) and beef cattle (-3.1%) were falling and on the contrary prices of pigs and piglets grew (8.7%). Animal products were on the contrary in deep decline (-17.8%). Milk was cheaper year-on-year by 18.7% and eggs by 10.8%.

Prices of plant production decreased

Prices of agricultural production including fishes still grew year-on-year in Q1 (19.4%) and subsequently went down (-8.1% and -14.7% in Q2 and Q3). Prices of agricultural



last year, while the animal production in total recorded an increase.

production were by 6.0% lower for the whole year. The decrease was mainly supported by the development of prices of the crop products, which fell by 13.7%. The comparison with year 2022, when the geopolitical affairs led to sharp hike of prices of key plants, was an important factor. Also for this reason, the prices of cereals (–20.4%, in that wheat by 24.0%) as well as industrial crops (–21.8%, in that oil seeds by 28.8%) plunged last year. On the contrary, the prices of vegetables and horticultural products were by 15.4% larger last year, potatoes by 39.4% and fruit by 10.4%. Prices of animal production on the contrary increased in total by 7.0% in year 2023. Prices of live animals were higher by 12.6%, in that pigs by 25.0%. Prices of animal products increased by 3.3%. While the prices of milk rather stagnated last year (0.5%), eggs recorded an increase of 28.6%.

Prices of export fell year-on-year last year.

Prices of exports of goods in total fell by 0.7% last year. Prices of exports of other materials⁶ (–18.6%) and chemicals (–7.2%) dropped the most. On the contrary, prices of beverages sharply increased (16.0%). After year-on-year increase in Q1, the prices of exports were falling in the rest of the year 2023. Prices of exports were by 2.2% lower in Q4 2023. The effect of koruna foreign exchange on the year-on-year development of prices of the international trade weakened towards the end of the year⁷. Prices of exports increased by 0.6% quarter-on-quarter in Q4. Prices of other materials (–14.7%) and mineral fuels (–13.7%) decreased the most year-on-year in Q4. Prices of exports of chemicals (–7.7%), food and live animals (–7.3%) and semi-finished products⁸ (–6.8%) were also lower. Similarly to the previous quarters, the prices of beverages also sharply grew in Q4 (11.1%). Year-on-year increase of prices of exports of the miscellaneous manufactured articles (4.1%) and machinery and transport equipment (2.8%) strengthened.

Terms of trade were markedly positive last year.

Import prices of goods fell in total by 5.7% last year. The decrease was mainly the result of development of prices of mineral fuels (–27.7%) and other materials (–10.7%). Prices of imports of chemical products were also in deep decrease (–7.9%). On the contrary, prices of beverages and tobacco increased by more than one fifth (22.7%). In Q4 2023 itself, the prices of import fell by 6.1% year-on-year, while they grew by 1.5% quarter-on-quarter. Prices of imports of mineral fuels (–28.7%), other materials (–9.6%), chemical products (–8.0%) and semi-finished products (–5.9%) increased the most year-on-year in Q4. On the contrary, prices of imports of beverages and tobacco (23.9%), miscellaneous manufactured articles (2.3%), food and live animals (1.7%), machinery and transport equipment (0.3%) were higher year-on-year. Year-on-year terms of trade of international trade of goods remained in greatly positive band. Total terms of trade reached 105.3% for year 2023. Terms of trade were 104.2% year-on-year in Q4 itself. Trade with mineral fuels (121.0%), machinery and transport equipment (102.4%), miscellaneous manufactured articles (101.8%) and chemicals (100.3%) had positive terms of trade. In contrast, trade with beverages and tobacco (89.7%), food and live animals (91.2%), other materials (94.4%) and semi-finished products (99.0%) featured negative terms of trade.

⁶ SITC 2 – crude materials inedible, except fuels.

⁷ Based on the CNB data, the average koruna foreign exchange per euro reached 2.521 CZK/EUR in Q4 2023. It was 24.387 CZK/EUR in the year 2022. Koruna foreign exchange per dollar markedly strengthened year-on-year. The average was 23.923 CZK/USD in Q4 2022 and 22.820 CZK/USD this year.

⁸ SITC 6 – manufactured goods classified chiefly by material.