

Czech inflation slowed down in April

April inflation came in below expectations at 2.8% year-on-year, driven by a decline in prices of alcoholic drinks. The slowdown was no surprise as inflation had been expected to decelerate gradually after hitting a peak of 3% in March



Source: Shutterstock

April inflation slowed due to alcoholic beverages

The main reason behind weaker price growth in April was a 3.6% month-on-month fall in alcoholic drink prices. On an annual basis, prices decelerated from 4.5% to -0.2% year-on-year and the total contribution of this item to the consumer basket fell by 0.2 percentage points, largely explaining the slowdown in April inflation to 2.8% after 3% in March. Some price slowdown also came from household equipment and furniture.

2.8%

Lower than expected

April inflation YoY

slowed down after 3% peak in March

Food prices declined despite higher prices of vegetables

As usual in April, food prices decreased slightly in monthly terms, and as such, the year-on-year rate remained at a similar level as in the previous month (slightly below 2% YoY). While prices of vegetables increased by just 2.4% in MoM terms, they are 30% higher compared to last year's level. Still, some other food items compensated for this (e.g. prices of fruits, coffee and sugar were lower). Fuel prices grew by 4% MoM, representing the highest monthly growth rate over the last year due to rising oil prices.

Structure of inflation in the Czech economy

	April 2019				March 2019		Change in YoY Cont (ppt)
	YoY (%)	Cont (ppt)	MoM (%)	Cont (ppt)	YoY(t-1) (%)	Cont. (ppt)	
Total	2.8	2.8	0.1	0.1	3.0	3.0	-0.2
Food and non-alcoholic beverages	1.8	0.3	-0.7	-0.1	1.9	0.3	0.0
Alcoholic beverages, tobacco	1.1	0.1	-1.6	-0.1	3.6	0.3	-0.2
Clothing and footwear	-2.1	-0.1	2.7	0.1	-1.5	-0.1	0.0
Housing, water, energy, fuel	5.8	1.5	0.3	0.1	5.9	1.5	0.0
Furnishings, households equip.	0.8	0.0	-0.6	0.0	1.7	0.1	-0.1
Health	3.7	0.1	0.6	0.0	3.8	0.1	0.0
Transport	1.7	0.2	1.3	0.1	0.9	0.1	0.1
Post and telecommunication	-1.3	0.0	-0.1	0.0	-1.2	0.0	0.0
Recreation and culture	0.9	0.1	-0.5	0.0	1.0	0.1	0.0
Education	2.2	0.0	0	0.0	2.2	0.0	0.0
Restaurants and hotels	3.9	0.2	0.4	0.0	3.8	0.2	0.0
Miscellaneous goods and services	4.3	0.3	0.6	0.0	4.0	0.3	0.0
Items contributing to CPI slowdown							
Items contribution to CPI acceleration							

Source: CZSO, ING

Base effects behind the inflation slowdown

While fuel prices rose, they are expected to start gradually slowing down in year-on-year terms due to a high base from last year. Base effects will also be apparent for core and regulated prices, as these also started to accelerate more in 2H18. Signs of a gradual price slowdown are also apparent in so-far buoyant service prices, which slowed from 3.9% in January-February to 3.6% in April, with core inflation (in the Czech National Bank's definition) decelerating to 2.6% YoY from 2.8% in March and 3% at the beginning of the year. In addition, the imputed rent item might contribute less to YoY CPI growth as property price growth is supposed to slow down gradually this year. This item contributes 0.6 percentage points to YoY CPI, with a rate of 5.5% after hitting 5.7% in March.

CNB on hold for some time

Inflation hit its peak in March and should gradually slow down in coming months, based on our estimates. This is also consistent with the current CNB outlook, which sees inflation hitting 2.4% in mid-2019. This means that rates might stay on hold for a longer period of time, as suggested by Gov. Rusnok during the press conference after the May monetary policy meeting, as inflation pressures are gradually diminishing after hitting a peak in the first quarter of this year.

Author

Alissa Lefebre
Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com