

Czech inflation stagnates at 2.7% in October

Czech inflation stagnated in annual terms in October, in line with market estimates and just slightly below the central bank forecast. For the whole year, it will reach 2.8% - the highest figure since 2012



Source: Shutterstock

Prices increased slightly compared to September

From a month-on-month perspective, prices accelerated by 0.5%, due to a rise in food prices, mainly the 7% month on month increase in fruit prices given the bad harvest this year, while vegetable prices fell. Higher prices of clothing and footwear also contributed to the price increase, as did the prices of furnishings and household equipment.

From a year-on-year perspective, dynamics were heterogeneous, some items of the consumer basket contributed to the YoY acceleration of inflation (food, clothing and footwear, recreation and culture), others to the slowdown (post and telecommunications, transport, housing), see the table.

2.7% YoY October CPI

at September level

As expected

House prices are pushing inflation high this year

For the whole year, inflation will reach 2.8% - the highest figure since 2012, when it reached 3.3%. The fastest-growing part of the consumer basket this year was generally the housing category, which grew by more than 5% - the highest average growth in the last 10 years. House prices reflect this year's 10% growth in electricity prices, a 5% increase in heat prices, a rise in rental prices due to the overheated real estate market, but also an increase in prices of household maintenance services, which increased by 10% on average this year. The housing category thus contributes more than half to inflation this year.

Structure of inflation in the Czech economy

	October 2019				September 2019		Change in YoY Cont (ppt)
	YoY (%)	Cont (ppt)	MoM (%)	Cont (ppt)	YoY(t-1) (%)	Cont. (ppt)	
Total	2.7	2.7	0.5	0.5	2.7	2.7	0.0
Food and non-alcoholic beverages	2.8	0.5	0.8	0.1	2.5	0.4	0.05
Alcoholic beverages, tobacco	1.9	0.2	0	0.0	2.0	0.2	-0.01
Clothing and footwear	-0.8	0.0	3.1	0.1	-1.6	-0.1	0.03
Housing, water, energy, fuel	4.9	1.3	0.3	0.1	5.0	1.3	-0.03
Furnishings, households equip.	1.8	0.1	0.9	0.1	1.4	0.1	0.02
Health	3	0.1	-0.1	0.0	3.1	0.1	0.00
Transport	0.3	0.0	0.1	0.0	0.5	0.1	-0.02
Post and telecommunication	-2	-0.1	-0.3	0.0	-1.6	0.0	-0.01
Recreation and culture	2	0.2	0.4	0.0	1.5	0.1	0.04
Education	3.8	0.0	0.1	0.0	3.8	0.0	0.00
Restaurants and hotels	4.6	0.3	0.3	0.0	4.8	0.3	-0.01
Miscellaneous goods and services	3.3	0.2	0.5	0.0	3.6	0.2	-0.02

Items contributing to CPI slowdown
 Items contributing to CPI acceleration

Source: CZSO, ING

Also core inflation stagnated in October

In general, prices of services are rising fast this year, reaching 3.8% in October (4% in September), in line with this year's average growth.

However, the rise in the price of services is to some extent also linked to higher costs, such as food or energy in terms of growing prices in restaurants, meaning these are not purely demand-driven inflation pressures, but also cost-related. Core inflation according to the central bank's definition stagnated at 2.6% according to our estimates, and its average 2019 dynamics reached 2.7%.

Taxes will push inflation higher next year

The central bank expects October inflation to be around 2.8%, followed by an acceleration to 2.9% in the months ahead. For the next year, the central bank has revised inflation higher to 2.7% in its latest forecast, which come partially on the back of planned increase in excise duties on cigarettes

and alcohol. Cigarettes have a 5% weight in the consumer basket so their 10% increase will increase headline inflation by half a percentage point.

On the other hand, with the introduction of the latest phase of on-line sales registration, VAT will be reduced for some items, but it is generally assumed that this drop will not enter significantly into the final prices, remaining in the sellers' margins. All in all, inflation will remain around 2.5% next year, while without tax it would decelerate to 2%.

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker
Senior UK & Eurozone 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
Senior Economist, Healthcare & Technology
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@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

Deputy Global Head of Editorial 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

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 Corporate 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

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@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, 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