

Czech inflation begins creeping higher on fuel prices

Czech inflation increased from 2.1% in February to 2.3% in March, mainly on the back of higher fuel prices, which increased by 6%. For the whole year, we expect average inflation of around 2.5%



Source: Shutterstock

Fuel prices pushed inflation higher in March

Czech inflation increased from 2.1% in February to 2.3% in March, mainly on the back of higher fuel prices, which increased by 6% compared to February.

In comparison to February, fuel prices increased by 6% in March, so year-on-year (YoY) fuel prices changed from a 10% fall in February to modest YoY growth of 1% in March.

As such, fuel prices' negative contribution to YoY inflation of around 0.3 percentage points dies away in March, which was the main reason behind CPI acceleration (see table).

Food prices stagnated

Food prices stagnated in MoM terms, and their year-on-year dynamics shifted from a slight growth in February to a slight decline.

In contrast to previous months, food did not increase inflation further and, on the contrary, slightly slowed it down in March. This was the reason why inflation accelerated to only 2.3% and not 2.4%, which were market expectations.

Inflation is still being driven upwards this year most significantly by rising prices of alcoholic beverages and tobacco, as this category is contributing 0.9 percentage points to CPI growth. Prices of services accelerated to 2.6% year on year (the same dynamics as in January) after a slowdown to 2.3% in February.

Inflation breakdown (% YoY, % MoM, contributions in percentage points)

	March 2021				February 2021		Change in YoY Cont (ppt)
	YoY (%)	Cont (ppt)	MoM (%)	Cont (ppt)	YoY (t-1) (%)	Cont. (ppt)	
Total	2.3	2.3	0.2	0.2	2.1	2.1	0.20
Food and non-alcoholic beverages	-0.3	-0.1	0	0.0	0.6	0.1	-0.16
Alcoholic beverages, tobacco	9.9	0.9	0.9	0.1	10.5	0.9	-0.05
Clothing and footwear	1.8	0.1	0.7	0.0	2.4	0.1	-0.02
Housing, water, energy, fuel	0.6	0.2	0.1	0.0	0.7	0.2	-0.03
Furnishings, households equip.	1.6	0.1	-0.4	0.0	1.9	0.1	-0.02
Health	3.7	0.1	0.4	0.0	3.8	0.1	0.00
Transport	5.2	0.6	1.6	0.2	1.5	0.2	0.43
Post and telecommunication	-0.1	0.0	0.2	0.0	-1.2	0.0	0.03
Recreation and culture	1	0.1	-2.1	-0.2	1.0	0.1	0.00
Education	2.7	0.0	0	0.0	2.8	0.0	0.00
Restaurants and hotels	2.7	0.2	0.1	0.0	2.9	0.2	-0.01
Miscellaneous goods and services	2.7	0.2	0.3	0.0	2.9	0.2	-0.01

Items contributing to CPI slowdown

Items contributing to CPI acceleration

Source: CZSO, ING

CPI to accelerate further

Fuel prices are likely to continue rising in the coming months, albeit at a slower pace than in March, but their year-on-year growth will accelerate due to last year's low base effect when fuel prices were at their lowest due to the fall in oil prices.

Year-on-year dynamics of fuel prices will be affected by this, and inflation is likely to accelerate again close to the 3% threshold, but then this effect will begin to fade, and inflation will slow again. For the whole year, we expect average inflation of 2.5%.

Central bank likely to raise rates in 4Q21

We still expect the central bank to start hiking rates in the second half of the year, most likely at the November meeting.

However, chances of an earlier rate hike, which may start to cause higher inflation in the coming months, would be conditional on a significant improvement in the pandemic situation during the summer. Although the central bank hasn't ruled out a possible rate increase at the August meeting, we think the November meeting has better chances.

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