

Czech industry grapples with ongoing price pressures

The industry's annual price drop deepened in July, marking six consecutive months of negative price trends. Weak demand from key trading partners continues to weigh on prices for capital and intermediate goods, while consumer goods prices are still rising. Strong price activity in food production will further drive up the CPI

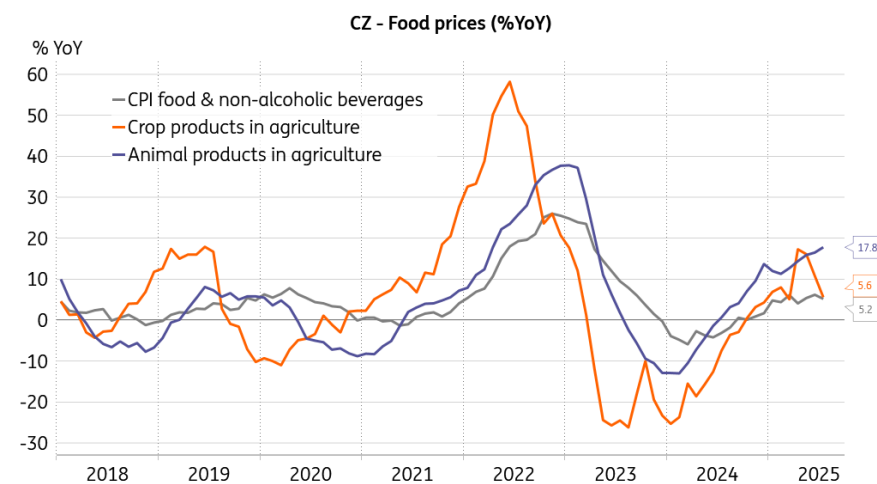


Twofold price dynamics in production

Czech industrial producer prices fell by 1.2% year-on-year in July and rose 0.1% month-on-month, with the annual figure in line with market expectations. Agricultural producer prices were 11.2% higher YoY in the same month and fell by 1.9% MoM.

Construction work prices rose by 2.6% YoY and 0.3% MoM. Market services prices for businesses increased by 4.1% YoY in July and dropped by 1.4% MoM.

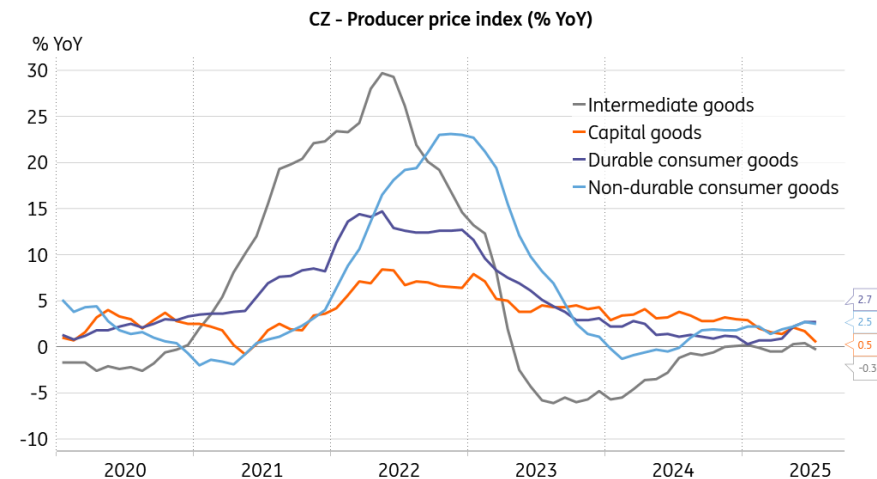
Price growth of animal products gains pace



Source: CZSO, Macrobond

In manufacturing, the price of food products continued to rise, driven primarily by the increasing prices of meat products. Looking at the main industrial groups, energy prices fell by 5.4% YoY, prices of durable consumer goods rose by 2.7% YoY, and prices of non-durable consumer goods added 2.5% YoY. Industrial producer prices excluding energy were 0.6% higher than a year ago.

Intermediate and consumer goods price dynamics drift apart



Source: CZSO, Macrobond

We see the continued price growth in durable and non-durable consumer goods as reflecting upbeat domestic spending, while the tepid pricing in intermediate and capital goods points to still cold conditions when it comes to demand among European producers and the main trading partners of Czech exporters.

The price developments in agriculture are also twofold. The softer prices of crop production dampen the main index, while the more persistent price dynamic of animal production continues to pick up. The robust growth of CPI food prices is unlikely to slow anytime soon, adding more

stress on the CNB bank board.

Author

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

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