

## Commentary CBA to the consumer prices in February 2016

*Moderate slowdown*

**Prague 09/03/2016**

Consumer prices rose by 0.1%, month-on-month, and by 0.5%, year-on-year. This was in line with market expectations.

Month on month growth was driven by prices of holidays which rose by 5%. Food, tobacco and alcoholic beverages were by 0.3% more expensive than in January. On the other hand fuel prices fell by another 3.9%, m/m.

Also in comparison with the previous year, fuel prices were the main factor pressing inflation down falling by 11.1%, y/y. Food products were cheaper by 1.6% than a year before. Only a few items recorded year over year growth in prices: alcohol and tobacco prices rose by 3.2%, prices of clothing and footwear increased by 2.6%, y/y. Prices of holidays were higher by 8.3%, y/y driven among other factors by a strong USD.

Eurostat announced February HICP at - 0.2%, y/y for Eurozone, therefore deflationary pressures will continue to be imported in spite of exchange rate commitment. Most of the year, inflation will remain low under 1%. Some revival of inflation may appear in the last quarter of the year if the price of oil recovers as expected by present forecasts. Also wage growth expected around 4% is important for annual inflation forecast around 1%. Strong labour market data seem to support accelerating growth of wages up to 4%. At the same time low inflation and stronger wage bill indicate that consumption of households will keep the pace around 3% in 2016.



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