



Commentary CBA to the consumer prices in October 2015

Fuel prices press the inflation further down

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In October 2015 consumer prices stagnated, month-on-month, and increased by 0.2%, year-on-year. The gap between real inflation and the inflation forecast of the central bank (0.4%, y/y) has remained at 0.2 percentage point.

Fuel prices were the main factor pressing inflation down – fuel was by 3.0% cheaper than in September. Food prices went down by 0.3%, m/m. On the other hand, prices of clothing and footwear went up notably – by 3.7%, m/m.

Fuel prices were the main factor pressing inflation down also in year on year comparison – they fell by 17.2%, y/y. Food was by 0.9% cheaper than a year before. Tobacco and alcoholic beverages were the main factor preventing deflation – with year-on-year increase of 3.7%. Similarly to previous months, prices of housing utilities increased by 0.8% y/y on average.

In the forthcoming months we will continue to import deflation from Europe – more than half of EU member states has reported deflation. In this respect, September decline of consumer prices is most important for neighbouring important trading partners - Poland, Germany and Slovakia.

At the same time, Czech labour market data indicate high number of vacancies – unemployment rate will be slightly above 6% at the end of 2015 and slightly below 6% at the end of 2016. Structural discrepancy between the qualifications demanded by companies and qualification structure of the unemployed will prevent more intensive decline in the unemployment rate. However, this discrepancy will push up wages in many professions. However demand inflationary pressures will continue to be limited and may strengthen not before second half of 2016. Therefore, inflation will continue to be subdued in most of 2016 as well. At the time being we expect average inflation for 2016 around 1.3%.

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