

| Instant Reaction |

EcoAlert

Agricultural prices report double-digit growth



Viktor Zeisel
(420) 222 008 523
viktor_zeisel@kb.cz

Industrial producer prices – May 2017

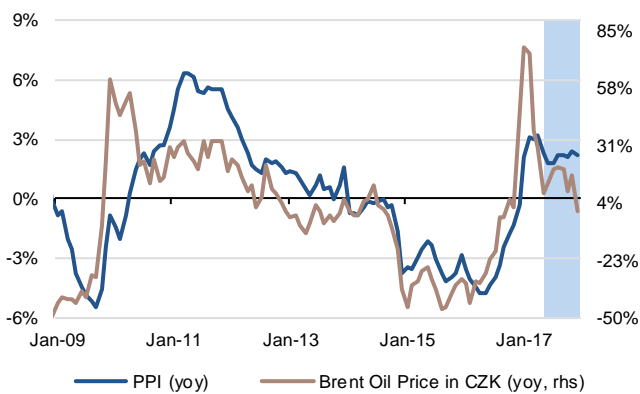
	mom	yoy
Actual:	-0.5%	+2.3%
KB Forecast:	-0.2%	+2.6%
Consensus (Bloomberg):	-0.1%	+2.8%

Source: Bloomberg, CZSO, Economic & Strategy Research, Komerční banka

While agricultural prices continued their strong growth, prices in industry dropped sharply. The slump was to a gross extent due to global commodity prices, led by oil. In agriculture, a variety of items from fresh fruits to livestock showed strong price dynamics. Service prices unexpectedly eased while construction prices recorded only minor growth.

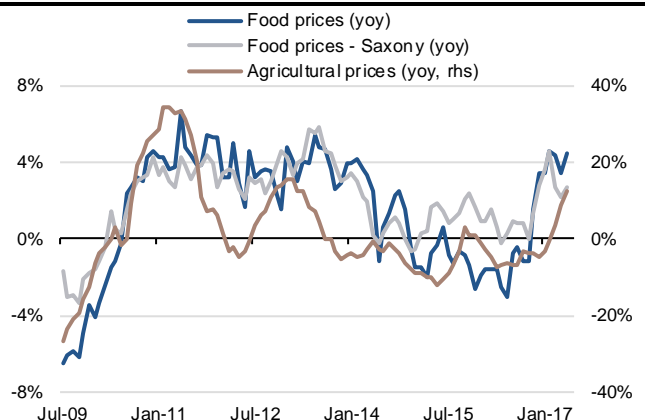
Industrial prices dropped 0.5% mom in May, and their yoy dynamics decelerated to 2.3% in May from 3.2% in April. The deceleration is mainly due to oil prices, for which average prices decreased in May while showing significant fluctuations. Prices of chemicals also declined, as well as other commodities and transport equipment. The food sector hindered an even stronger decrease of the overall price level in industry. It increased 0.5% as it followed the surge in agricultural prices.

Yoy growth of industrial prices shall ease further



Source: CZSO, Bloomberg, Macrobond, Economic & Strategy Research, KB

Agricultural prices push food price inflation higher



Source: CZSO, Macrobond, Economic & Strategy Research, KB

Agricultural prices maintained the growth started at the beginning of the year. In May, mom growth printed 1.7%, resulting in strong 12.6% yoy dynamics, while since January to May growth reached 7%. Their sound dynamics are due to more expensive livestock production. Nevertheless, the crops have not been cheapening, either. Today's statistics indicate that we can expect growth in food prices in terms of consumer prices.

Construction work prices slightly increased 0.1% mom in May, and their yoy dynamics moved to 1.5%. In contrast, a **mild decrease of 0.1% mom was recorded by service prices.**

Producer prices are set to decline in the months to come. This is suggested by the continuous decrease of global oil prices. Brent oil is trading at close to USD47 per barrel, while its average price in May was USD51.4 per barrel. The high yoy dynamics of agricultural prices should start easing gradually while prices in services should gradually grow as they will be supported by increasing demand pressures. The construction sector revived in April thanks to building construction. In the second half of the year, infrastructure construction should join and together, it will push the prices in the sector up. **Overall, we expect inflationary pressures in the economy to persist.**

KB ECONOMIC & STRATEGY RESEARCH

Chief Economist and Head of Research



Jan Vejmelek, Ph.D., CFA
(420) 222 008 568
jan_vejmelek@kb.cz

Economists



Viktor Zeisel
(420) 222 008 523
viktor_zeisel@kb.cz



Marek Dřimal
(420) 222 008 598
marek_dřimal@kb.cz



David Kocourek
(420) 222 008 569
david_kocourek@kb.cz



Jana Steckerová
(420) 222 008 524
jana_steckerova@kb.cz

Equity Analysts



Miroslav Frayer
(420) 222 008 567
miroslav_frayer@kb.cz



Richard Miřátský
(420) 222 008 560
richard_miratsky@kb.cz

SG IN CENTRAL AND EASTERN EUROPE

Chief Economist of SG Poland



Jaroslaw Janecki
(48) 225 284 162
jaroslaw.janecki@sgcib.com



Head of Research of Rosbank
Yury Tulinov, CFA
(7) 495 662 13 00 (ext. 14836)
yury.tulinov@rosbank.ru

Chief Economist of BRD-GSG

Florian Libacor
(40) 213 016 869
florian.libacor@brd.ro

Head of Fin. Markets Research BRD-GSG



Carmen Lipara
(40) 213 014 370
carmen.lipara@brd.ro

Economist

Ioan Mincu
(40) 213 014 472
george.mincu-radulescu@brd.ro

Equity Analyst



Laura Simon, CFA
(40) 213 014 370
laura.simon@brd.ro

SG GLOBAL ECONOMICS RESEARCH

Head of Global Economics



Michala Marcussen
(44) 20 7676 7813
michala.marcussen@sgcib.com

Euro area



Anatoli Annenkov
(44) 20 7762 4676
anatoli.annenkov@sgcib.com



Michel Martinez
(33) 1 4213 3421
michel.martinez@sgcib.com



Yvan Mamalet
(44) 20 7762 5665
yvan.mamalet@sgcib.com

United Kingdom



Brian Hilliard
(44) 20 7676 7165
brian.hilliard@sgcib.com

North America



Stephen Gallagher
(212) 278 4496
stephen.gallagher@sgcib.com



Omair Sharif
(1) 212 278 48 29
omair.sharif@sgcib.com



Latin America
Dev Ashish
(91) 80 2802 4381
dev.ashish@socgen.com



Ankur Shukla
(91) 80 6731 4432
ankur.shukla@sgcib.com

Asia Pacific



Klaus Baader
(852) 2166 4095
klaus.baader@sgcib.com



Japan
Takuji Aida
(81) 3 5549 5187
takuji.aida@sgcib.com



Kiyoko Katahira
(81) 3 5549 5190
kiyoko.katahira@sgcib.com



Arata Oto
(81) 3 6777 8064
arata.oto@sgcib.com

China



Wei Yao
(852) 2166 5437
wei.yao@sgcib.com



Korea
Suktae Oh
(82) 2195 7430
suktae.oh@sgcib.com



India
Kunal Kumar Kundu
(91) 80 6716 8266
kunal.kundu@sgcib.com



Inflation
Vaibhav Tandon
(91) 80 6731 9449
vaibhav.tandon@sgcib.com

SG CROSS ASSET RESEARCH - FIXED INCOME & FOREX GROUPS

Global Head of Research



Brigitte Richard-Hidden
(33) 1 42 13 78 46
brigitte.richard-hidden@sgcib.com

Head of Fixed Income & Forex Strategy



Vincent Chaigneau
(44) 20 7676 7707
vincent.chaigneau@sgcib.com

Fixed Income



Bruno Braizinha
(1) 212 278 5296
bruno.braizinha@sgcib.com



Frances Cheung, CFA
(852) 2166 5437
frances.cheung@sgcib.com



Jean-David Cirotteau
(33) 1 42 13 72 52
jean-david.cirotteau@sgcib.com



Cristina Costa
(33) 1 58 98 51 71
cristina.costa@sgcib.com

Jorge Garayo



(44) 20 7676 7404
jorge.garayo@sgcib.com



Ciaran O'Hagan
(33) 1 42 13 58 60
ciaran.ohagan@sgcib.com



Shakeeb Hulikatti
(91) 80 2802 4380
shakeeb.hulikatti@sgcib.com



Adam Kurpiel
(33) 1 42 13 63 42
adam.kurpiel@sgcib.com

Head of US Rates Strategy



Subadra Rajappa
(1) 212 278 5241
subadra.rajappa@sgcib.com



Jason Simpson
(44) 20 7676 7580
jason.simpson@sgcib.com



Marc-Henri Thoumin
(44) 20 7676 7770
marc-henri.thoumin@sgcib.com

Foreign Exchange



Jason Daw
(65) 63267890
jason.daw@sgcib.com



Alvin T. Tan
(44) 20 7676 7971
alvin-t.tan@sgcib.com



Olivier Korber (Derivatives)
(33) 1 42 13 32 88
olivier.korber@sgcib.com

Head of Emerging Markets Strategy



Guy Stear
(33) 1 41 13 63 99
guy.stear@sgcib.com



Amit Agrawal
(91) 80 6758 4096
amit.agrawal@sgcib.com



Régis Chatellier
(44) 20 7676 7354
regis.chatellier@sgcib.com



Jason Daw
(65) 6326 7890
jason.daw@sgcib.com



Phoenix Kalen
(44) 20 7676 7305
phoenix.kalen@sgcib.com



Frances Cheung, CFA
(852) 2166 5437
frances.cheung@sgcib.com

Disclaimer

The information herein is not intended to be an offer to buy or sell, or a solicitation of an offer to buy or sell any securities. All information and opinions have been obtained from or are based on sources believed to be reliable, but their completeness and accuracy are not guaranteed by Komerční banka, a.s., even though Komerční banka, a.s. believes them to be fair and not misleading or deceptive. The views of Komerční banka, a.s. reflected in this document may change without notice.

Komerční banka, a.s. and its affiliated companies may from time to time deal in, profit from the trading of, hold or act as market makers of securities, or act as advisers, brokers or bankers in relation to securities or derivatives thereof emitted by persons, firms or entities mentioned in this document.

Employees of Komerční banka, a.s. and its affiliated companies, or individuals connected to them including the authors of this report, may from time to time have a position in or be holding any of the investments or related derivatives mentioned in this document. Komerční banka, a.s. and its affiliated companies are under no obligation to provide any services to their clients on the basis of this document.

Komerční banka, a.s. does not accept any liability whatsoever arising from the use of the material or information contained herein beyond what is required by law. This research document is primarily intended for professional and qualified investors. Should a private customer obtain a copy of this report, they should not base their investment decisions solely on the basis of this document and should seek independent financial advice. The investors must make their own informed decisions regarding the appropriateness of their investments because the securities discussed in this report may not be suitable for all investors.

The performance attained by investment instruments in the past may not under any circumstance serve as an guarantee of future performance. The estimates of future performance are based on assumptions that may not be realized. Investment instruments and investments are connected with different investment risks, the value of any investment can rise and fall and there is no guarantee for the return of the initial invested amount. Investment instruments denominated in foreign currencies are also subject to fluctuations caused by changes in exchange rates, which can have both positive and negative influences particularly on the prices of the investment instrument and consequently on the investment return.

This publication is issued by Komerční banka, a.s. which is a bank/stockbroker according to the applicable legislation and thus regulated by the Czech National Bank. Komerční banka, a.s. applies various measures to prevent conflict of interests in the process of creating investment recommendations, such as the implementation of an appropriate internal separation including information barriers between different departments of Komerční banka, a.s. in compliance with the requirements imposed by applicable regulation. The employees of Komerční banka, a.s. proceed in accordance with the internal regulations governing conflict of interest.

The evaluation of employees creating investment recommendations is never by any means tied with the volume or profit of the trades with instruments mentioned in this document done by Komerční banka, a.s., or the trades of Komerční banka, a.s. with the issuers of such instruments. However, the evaluation of the authors of this document is linked to the profits of Komerční banka, a.s. which also partially include the results of trading with investment instruments.

The recommendations mentioned in this document are intended for the public and the document before its publication is not available to persons not involved in the creation of this document. As per our practice, the issuers usually do not receive a copy of research reports prior to their publication. Each author of this research report hereby states that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the securities or issuers at stake.

This document and its contents is not designed for persons with permanent residence or seat in the United States of America and to persons who are deemed as "U.S. persons", as defined in Regulation S under the US Securities Act of 1933, as amended.

Please refer to our website <http://www.trading.kb.cz> for more details.