



| Instant Reaction |

# EcoAlert

Commodities pushed producer prices up



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## Industrial producer prices –December 2017

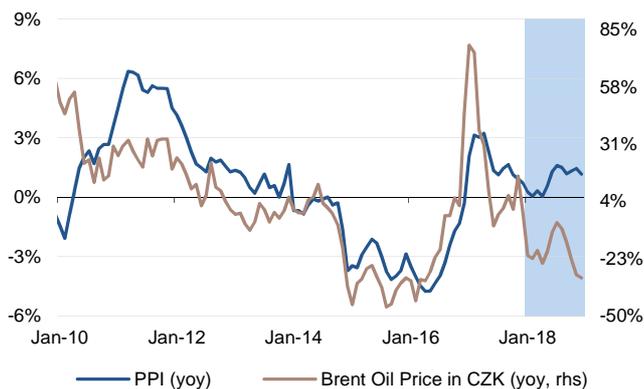
	mom	yoy
Actual:	+0.3%	+0.7%
KB Forecast:	+0.2%	+0.6%
Consensus (Bloomberg):	+0.1%	+0.5%

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

The prices in industry slightly exceeded our estimate in December, rising 0.3% mom. Growth was mainly driven by developments on commodity markets. Agricultural prices slowed their dynamics and have not maintained their double-digit pace of growth. Their pressure on food prices will thus gradually weaken. Prices in construction slightly increased once again.

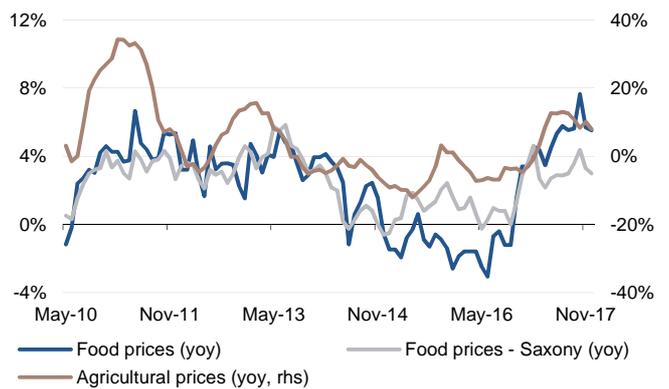
Producer prices recorded a month-on-month increase of 0.3% in December. In particular, prices of chemicals grew 2.2% mom. They were pushed higher by oil prices, which rose 1.6% in December (in koruna terms). However, prices of metal products and transport equipment were also higher. January's oil price jump to nearly \$70/barrel suggests that industrial producer prices will continue to grow at the beginning of this year, as well. In yoy terms, producer price inflation slowed to 0.7%. For the whole of last year, industrial producer prices were 1.8% higher on average.

Prices in industry will decline further in yoy terms



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

Agricultural price dynamics eased slightly farther



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

Agricultural producer prices fell 2.4% mom. This was attributable mainly to the prices of fresh vegetables, which fell 23.2%. In a year-on-year comparison, agricultural producer prices slowed from the double-digit pace recorded in November to 8% in December. As a result, the pressure stemming from agricultural prices on food prices will gradually decline.

**Prices of construction work are gradually climbing higher.** They increased 0.3% mom in December, adding 1.9% in yoy terms (1.8% yoy in November). Prices of market services rose at the same pace (+1.9% yoy).

**Inflationary pressures in the domestic economy remain robust.** In the first half of this year, consumer price inflation should remain close to 2.5%. In 2H18, it will decelerate but will stick to the 2% inflationary target. Therefore the central bank will have to continue the monetary policy tightening. This year, the central bank will hike rates four times, according to our forecast. The first rate increase should take the place at the meeting on 1 February.

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