

ECONOMIC REPORT

Czech Confederation of Commerce and Tourism

September 2024

This report works with data published as of 18 September 2024

KEY MESSAGES

- **Inflation.** In August 2024, consumer prices rose by 0.3% month-on-month. In annual terms, they rose at a rate of 2.2%. Consumer price growth was 0.4 pp higher in August than in the CNB's summer forecast.
- **Food prices.** The price index for food and non-alcoholic beverages rose by 0.5% month-on-month in August, while in annual terms it declined by 1.8%.
- **Retail sales.** In July, retail sales rose slightly by 0.7% month-on-month, with fuel sales down 0.1%, non-food sales up 0.4% and food sales up 1.3%. On a year-on-year basis, retail sales rose by 4.5% in July, with the largest contributors to the increase in sales coming from non-specialised stores with a predominance of food and from internet and mail-order stores.
- **Labour market.** In August this year, the adjusted unemployment rate was 2.7%, up 0.2 pp year-on-year. The unemployment rate in the Czech Republic remains one of the lowest in the EU Member States, so the domestic labour market remains relatively tight.
- **Exchange rate.** Over the past month, the exchange rate of the Czech koruna against the euro has fluctuated between 25.03 and 25.45 CZK/EUR. The koruna reacted to the rise in month-on-month inflation with a brief appreciation, but volatility stabilised after a few minutes. The exchange rate of the koruna then remained almost unchanged in the following days.
- **GDP estimate for Q2 2024.** GDP grew by 0.3% quarter-on-quarter and 0.6% year-on-year in Q2, driven mainly by higher final consumption expenditure and gross fixed capital formation. The change in inventories had a negative impact.

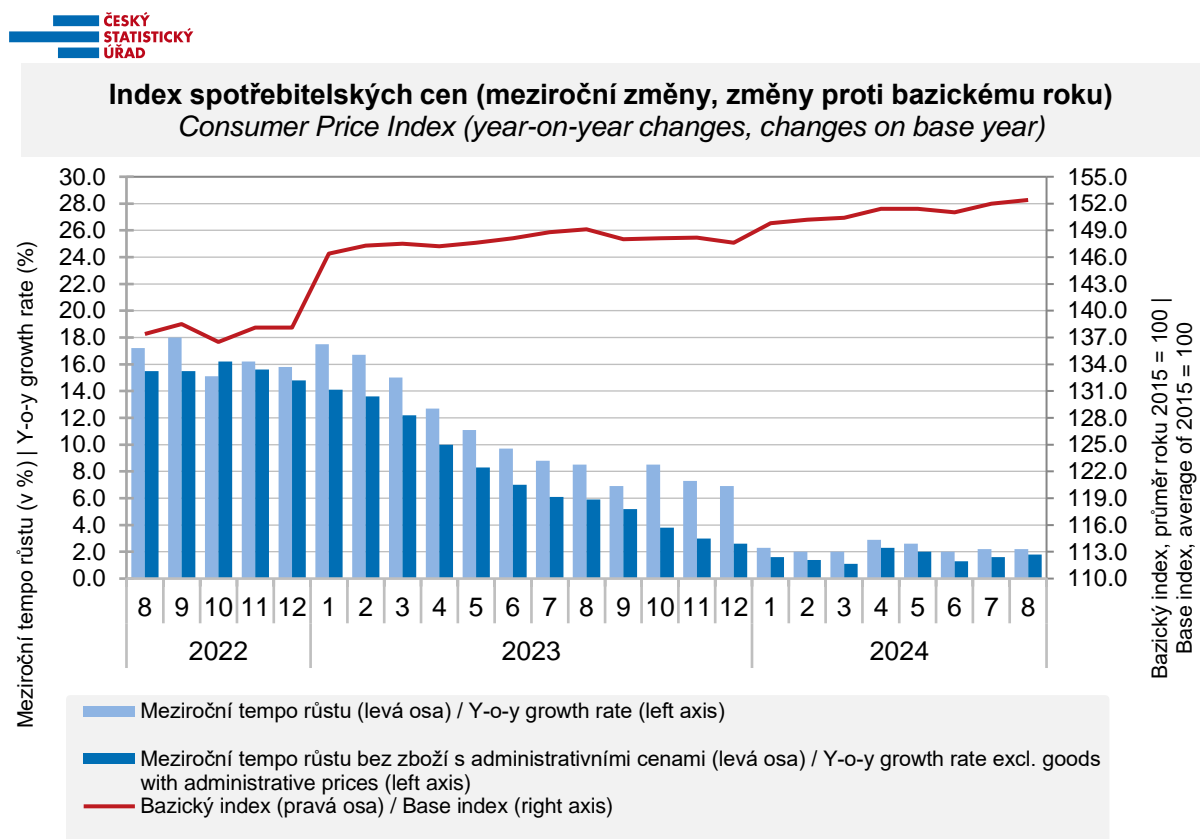
Indicator		Current value	Previous report
Inflation 08/2024	y-o-y	+ 2,2 %	+ 2,2 %
	m-o-m	+ 0,3 %	+ 0,7 %
Food prices 08/2024	y-o-y	- 1,8 %	- 3,1 %
	m-o-m	+ 0,5 %	+ 0,3 %
Retail sales 07/2024	y-o-y	+ 4,5 %	+ 4,4 %
	m-o-m	+ 0,7 %	+ 0,7 %
Unemployment rate 08/2024		2,7 %	2,9 %
CZK/EUR (16. 9. 2024)		25,128	25,197

INFLATION AND FOOD PRICES

Consumer prices rose by 0.3% month-on-month in August. On a year-on-year basis, they rose by 2.2%, the same as in July.¹

The inflation rate was slightly above the CNB's inflation target in August. Annual price inflation in August was 0.4 pp higher than the CNB's summer forecast. This was mainly due to stronger price dynamics in the food, beverages and tobacco section, higher core inflation and, to a lesser extent, slightly higher growth in regulated prices. On the other hand, fuel prices fell significantly compared with the forecast.²

Figure 1: Consumer price index



Source: CZSO

According to the CZSO, the rise in month-on-month inflation in August was mainly influenced by an increase in prices in the alcoholic beverages and tobacco section, with prices of tobacco products rising by 1.3%, spirits by 1.7% and wine by 1.8%. The increase in the overall price level was mainly due to a 0.3% increase in the price of rent on dwellings and a 0.7% increase in the price of heat and hot water. The continued decline in core inflation, which has been going

¹ [Consumer price indices - inflation - August 2024 | Rychlé informace \(gov.cz\)](#)

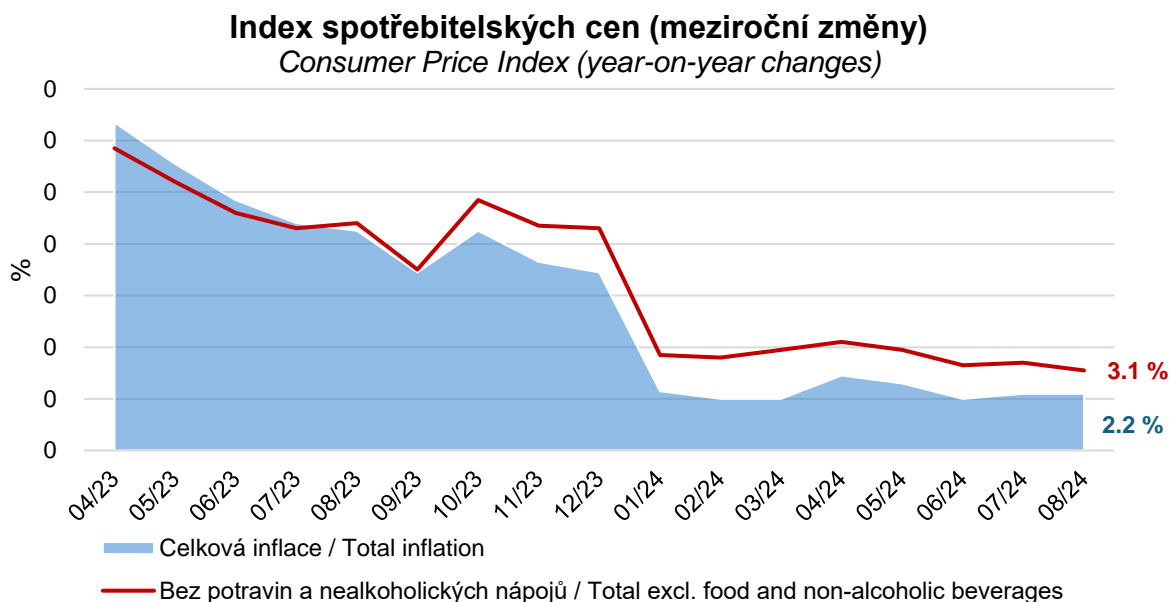
² [Inflation comes in slightly above the CNB's 2% target in August 2024 - Czech National Bank](#)

on for the second year, is not only due to slow growth in prices of foreign inputs but also based on the long-term weakening of domestic demand, which has been affected by the CNB's tight monetary policy.³

In August, the food and non-alcoholic beverages price index rose by 0.5% month-on-month but fell by 1.8% year-on-year. In this section, prices of sausages increased by 2.1% compared to August, followed by fruit by 2.2%, semi-skimmed long-life milk by 8.8%, oils and fats by 3.1%, soft drinks by 1.0%, chocolate products by 4.7%, butter by 4.8% and pork by 1.0%.

On a year-on-year basis, the anti-inflationary effect of food prices continued, as indicated by the under-collection of the consumer basket after the exclusion of food. If food and non-alcoholic beverages were excluded, prices would have increased by 3.1% year-on-year.

Figure 2: Inflation in a restricted consumer basket



Source: CZSO

According to the Harmonised Index of Consumer Prices (HICP), food prices in the Czech Republic fell by 2.3% year-on-year in August. By contrast, the EU average was up 1.7%. By comparison, all neighbouring countries recorded annual food price increases - Austria by 0.8%, Slovakia by 3.2%, Poland by 3.9% and Germany by 1.8%. In Hungary, there was no year-on-year shift in food prices.⁴

³ [Inflation comes in slightly above the CNB's 2% target in August 2024 - Czech National Bank](#)

⁴ [Statistics | Eurostat \(europa.eu\)](#)

RETAIL SALES

In September, the CZSO published data on Czech retail sales for July this year. These data show that retail sales increased by 0.7% month-on-month, while year-on-year there was a real increase of 4.5%.⁵

On a month-on-month basis, food sales rose by 1.3%, while non-food sales rose by 0.4%. In contrast, sales of fuel recorded a slight decrease of 0.1%. Year-on-year, non-food sales rose by 5.9%, food sales by 4.0% and fuel sales by 0.6%.

Sales in specialised stores of cosmetics and toiletries rose by 9.9% year-on-year, pharmaceutical and medical goods by 9.6%, computer and communication equipment by 0.3% and household goods by 0.2%. In contrast, sales in clothing and footwear stores fell by 1.9% and in culture, sport and recreation by 0.5%. Sales in non-specialised food-dominated stores increased by 4.8% and sales in specialised food stores decreased by 3.1%. Sales in non-food-dominated non-specialised stores increased by 14,3 %. Internet and mail-order stores increased by 17,2 %.

LABOUR MARKET

The unemployment rate reached 2.7% in July. It thus decreased year-on-year by 0.2 pp.⁶

According to newly published data from the CZSO, the population of the Czech Republic fell by 41 000 to 10.86 million in the first quarter of 2024. The population decline was mainly caused by a high number of emigrants and partly by the excess of deaths over live births (by 9.2 thousand). A large part of these emigrants were persons whose temporary protection expired at the end of March and who did not apply for its renewal. Thus, the balance of removals in the first quarter ended with a negative balance of -31.8 thousand persons.⁷

This could have a significant impact on the domestic labour market. In fact, it was the migration of Ukrainian citizens to the Czech Republic that partly relieved the tension on the Czech labour market, which is still overheated. However, if further outflows of foreigners representing additional labour force for the Czech Republic take place in the coming months, the situation on the Czech labour market will rather worsen.

⁵ [Retail trade - July 2024 | Rychlé informace \(gov.cz\)](#)

⁶ [Rates of employment, unemployment and economic activity - July 2024 | Rychlé informace \(gov.cz\)](#)

⁷ [Population change - 1st quarter of 2024 | Rychlé informace \(gov.cz\)](#)

EXCHANGE RATE

Over the past month, the exchange rate of the Czech koruna against the euro had been fluctuating between 25.03 and 25.45 CZK/EUR. The koruna had reacted to the rise in month-on-month inflation with a brief strengthening, but volatility had stabilised after a few minutes. The strength of the koruna was then almost unchanged in the following days, so there was no significant appreciation.

The estimated midpoint of the koruna exchange rate in the latest (i.e. summer) CNB forecast is 25.1 CZK/EUR.⁸

Figure 3: Development of the CZK/EUR exchange rate



Source: ECB

GDP ESTIMATE FOR Q2 2024

On the basis of a revised estimate from the CZSO, GDP growth in Q2 was 0.3% quarter-on-quarter and 0.6% year-on-year, with higher final consumption expenditure and gross fixed capital formation contributing mainly to the year-on-year growth. The change in inventories had a negative impact.⁹

The year-on-year increase in GDP (+0.6%) was positively influenced mainly by an increase in final consumption expenditure of households (+1.2%) and final consumption expenditure of general government (+0.8%). GDP growth was further boosted by gross fixed capital formation

⁸ [Current forecast - Czech National Bank \(cnb.cz\)](#)

⁹ [GDP Resources and Uses - 2. quarter of 2024 | Rychlé informace \(gov.cz\)](#)

(+0.4%) and external demand (+0.3%). In contrast, GDP growth was negatively affected by the change in inventories (-2.1%).

If the domestic economy develops in the second half of this year in a similar way to the first half of the year, GDP growth of 0.7% can be expected in aggregate for the whole of this year, which, however, cannot be regarded as a significant recovery after the previous two years of economic stagnation.¹⁰

¹⁰ <https://zpravy.kurzy.cz/778210-predbezny-odhad-hdp-ve-2-ctvrtleti-2024/>