

Short Note

Inflation - November 2014

Nov 9, 2014

Czech CPI inflation down to 0.6% in November

The Czech consumer prices in November declined by 0.2% month-on-month. That was fully in-line with our forecast and a notch below market expectation. The year-on-year inflation decelerated by 10bp to 0.6%.

The price decline was driven by lower oil prices and additionally by lower prices of alcohol. The impact of lower oil prices will influence the inflation in the next month as well. However, the price development at the beginning of the year will be intersecting as many companies change their price lists during that time. At the moment it seems unlikely that we will be witnessing any significant price increase. For the next year the CPI inflation might be around 1% on average, i.e. slightly above the euro area average as the economic growth in the Czech Republic is also slightly faster. Nevertheless, with the current inflation development and the outlook we perceive a high risk that the current FX regime in which the CNB keeps the EUR/CZK above 27.0 will not be abandoned before Q3 2016.

The market surprise today is very small and we do not expect any significant market reaction.

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