

Velehrad

Economic consequences of inflation

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- MENDELU
- Faculty
- of Business
- and Economics

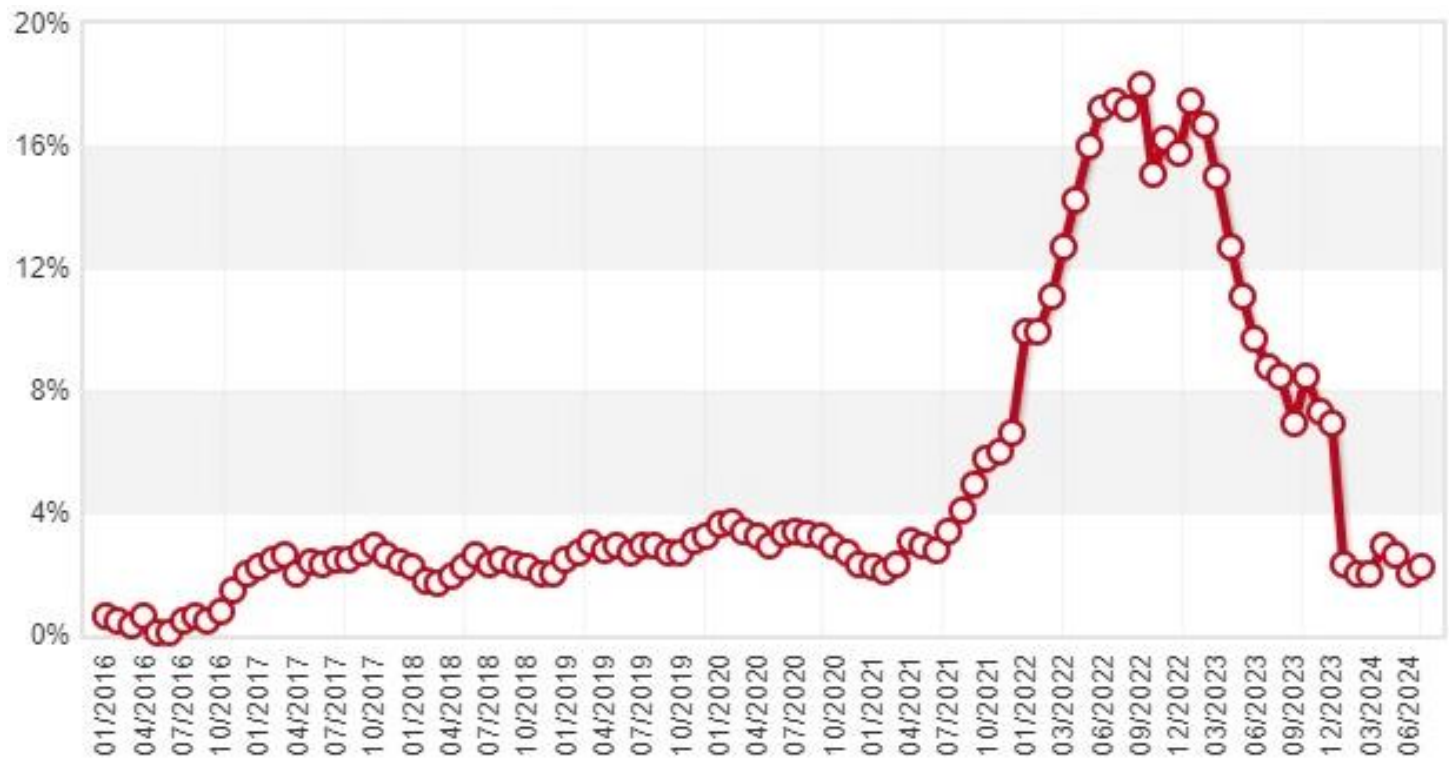


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Content

- Causes of current inflation developments
- Economic consequences

Monthly development of annual consumer price index



Causes of current inflation developments

Demand and supply inflation

Demand-pull inflation

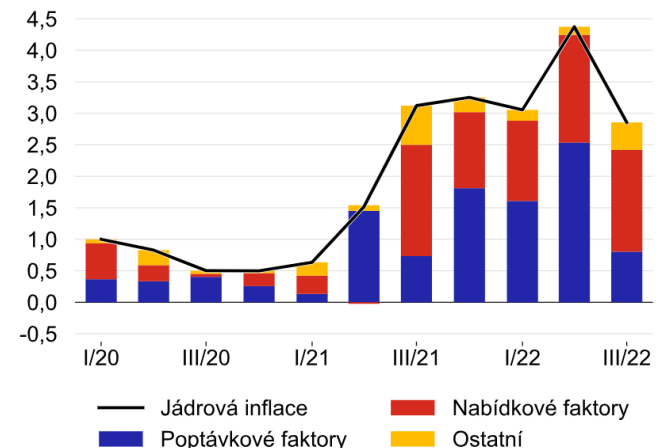
- Loose fiscal policy
- Deferred household consumption

Supply-side inflation

- Insufficient production + market panic => ↑ electricity prices
- Insufficient stock + panic in the markets => ↑ gas prices
- Long-term situation on the Czech labour market
- Disruption of customer-supplier relationships
 - Shortage of raw materials and components
 - Growth in transport costs

<https://www.cnb.cz/cs/menova-politika/zpravy-o-menove-politice/boxy-a-clanky/Vyvoj-inflace-optikou-poptavkovych-faktoru/>

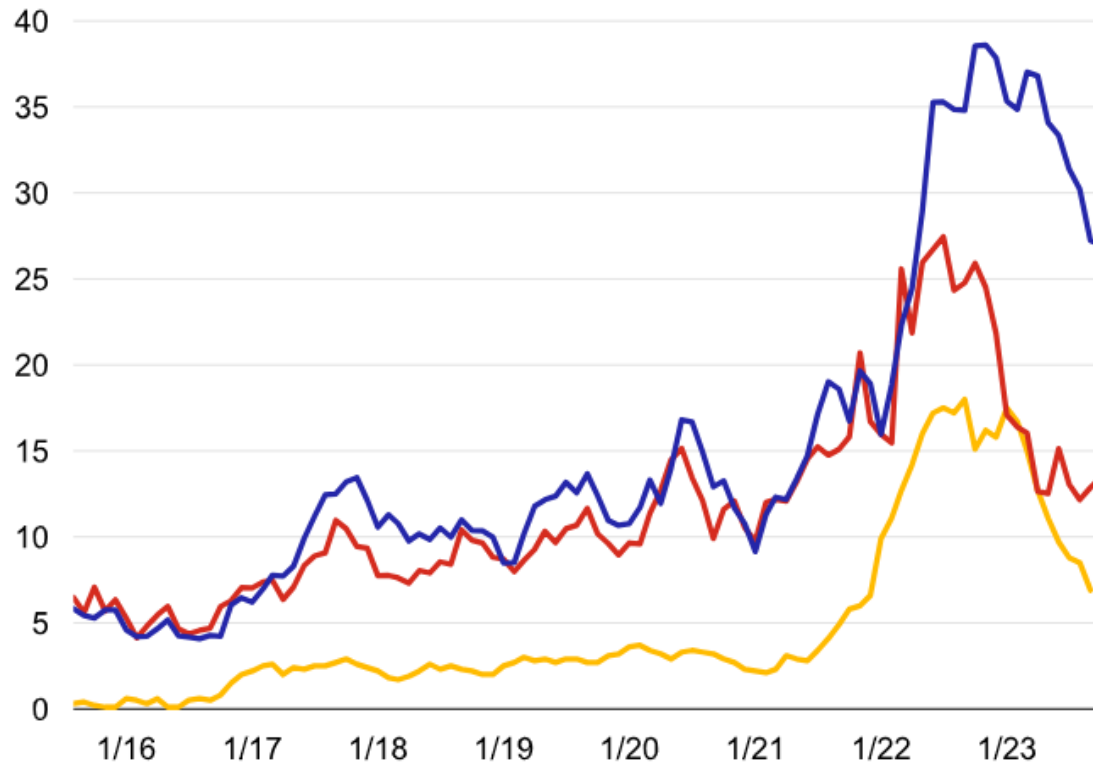
mezičtvrtletně v %, sezonně očištěno, příspěvky v procentních bodech, pramen ČSÚ,



Causes of current inflation developments

Inflation expectations

Perceived (blue), expected (red) and measured (yellow) inflation in Czechia (average % or CPI % by CNB)



https://www.cnb.cz/cs/o_cnb/cnblog/Inflacni-ocekavani-domacnosti-pod-drobnohledem-jak-ceske-domacnosti-vnimaji-inflaci-a-jak-o-ni-premysli-do-budoucnosti/

Economic consequences of inflation

If inflation is constant and expected

- It deteriorates quality of information provided by market prices
- "Cost of shoe wear"
- "Menu costs"
- Causes distortions in the tax system

If inflation is volatile and unexpected

- **It causes a redistribution of wealth**
 - **Unbalanced inflation**
 - **Income groups**
- Exchange rate fluctuations
- **Discourages entrepreneurs from investing**
- Discourages the conclusion of long-term contracts

Consequences of recent inflation developments

Accumulated price level growth

Index (2015 = 100)	January 2021	June 2024	Cummulat. growth
Total consumer basket	113,4	151	33,2
Food and soft drinks	114,2	144,4	26,4
Alcoholic beverages, tobacco	127,5	155	21,6
Housing, water, energy, fuels	114,6	168,1	46,7
Home furnishings, household equipment; repairs	106,3	132,1	24,3
Health	118,3	149,4	26,3
Transportation	107	136	27,1
Post and telecommunications	91,5	97,1	6,1
Recreation and culture	108,8	139,1	27,8
Education	114	132,9	16,6
Boarding and accommodation	123,4	188,9	53,1
Other goods and services	115,1	145,6	26,5

Source: CZSO (ECOICOP)

Consequences of recent inflation developments

Cumulative growth of selected products

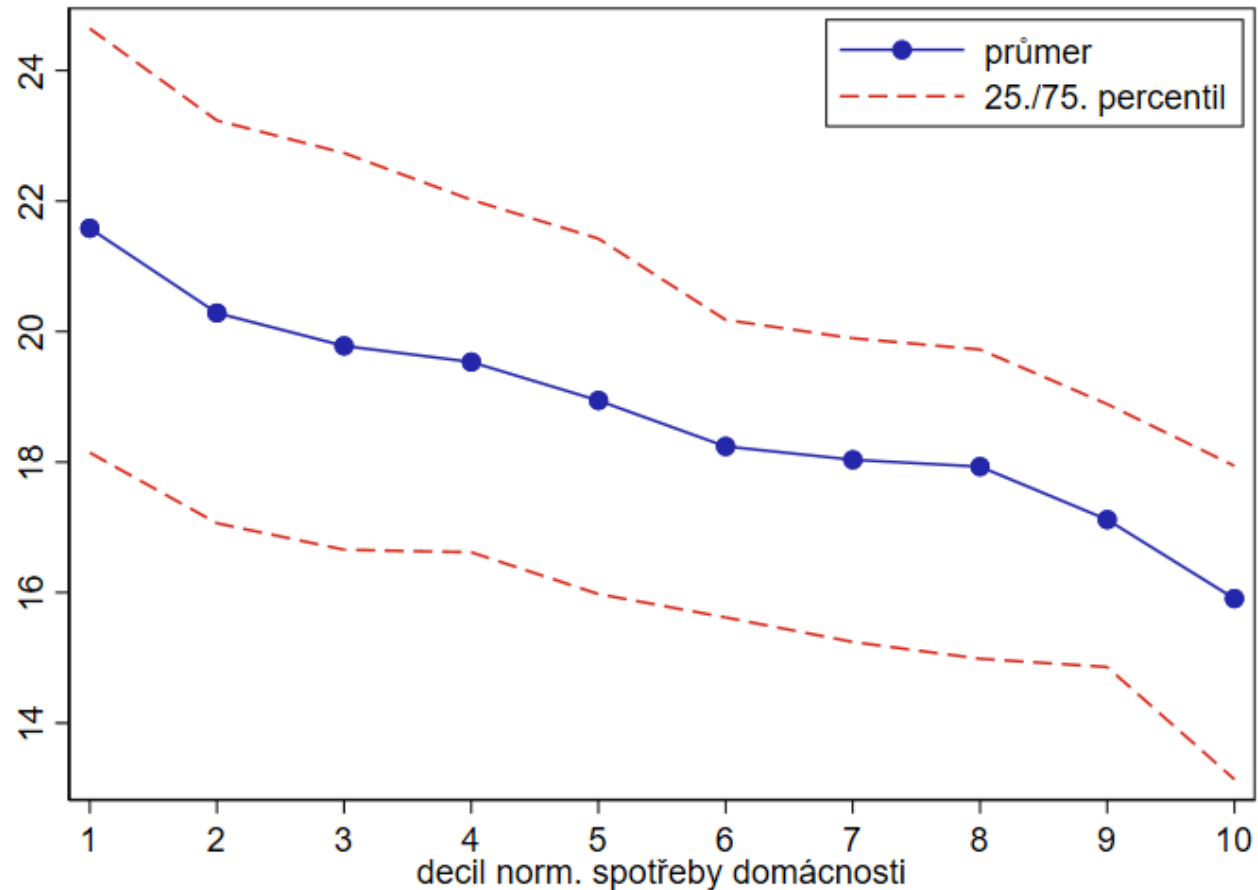
Index (2015 = 100)	January 2021	June 2024	Cummul. Growth
Bakery products; cereals	112,2	151,1	34,7
Meat	117	138	17,9
Fishes	113,3	124,7	10,1
Milk, cheese and eggs	110,4	136,5	23,6
Oils and fats	115	171	48,7
Fruit	114,7	126,6	10,4
Vegetable	124,9	177,7	42,3
Alcoholic beverages	119,7	123,3	3,0
Tobacco	134	174,2	30,0
Apartment rent	114,7	139,1	21,3
Imputed housing rents	120,2	151,7	26,2
Energy	108,9	202,4	85,9
Catering services	125,7	192,8	53,4
Accommodation services	109,5	165,1	50,8

Source: CZSO (ECOICOP)

Consequences of recent inflation developments

Individual inflation(IQ 2023)

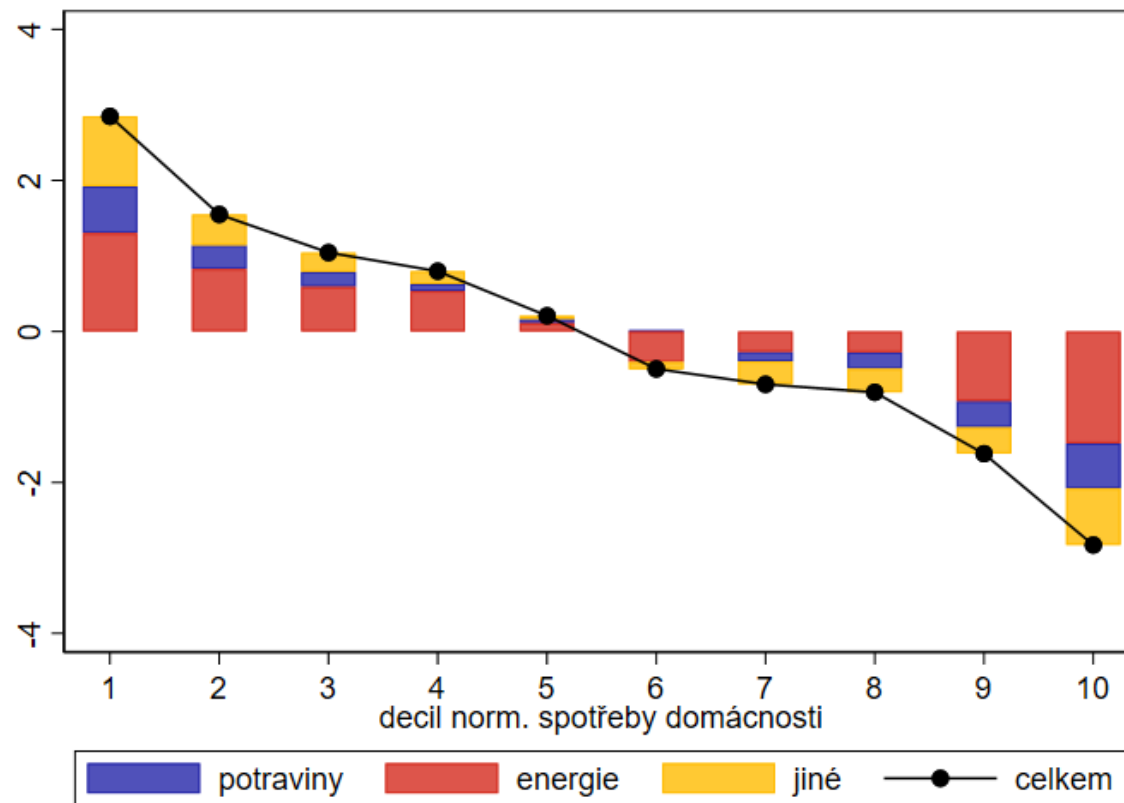
Individual inflation differs between rich and poor households



Consequences of recent inflation developments

Individual inflation (IQ 2023)

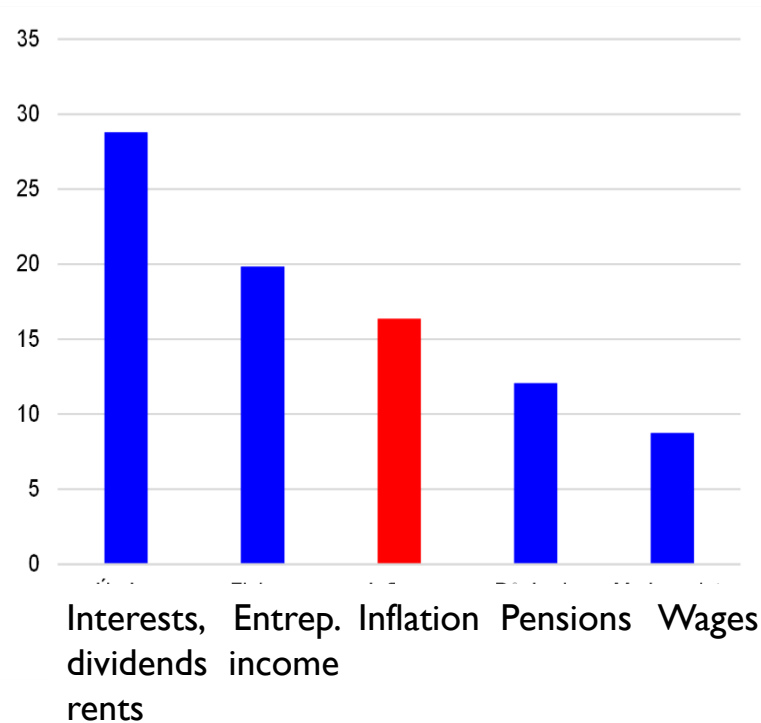
*Contributions of individual items to different individual inflation
(difference to average inflation)*



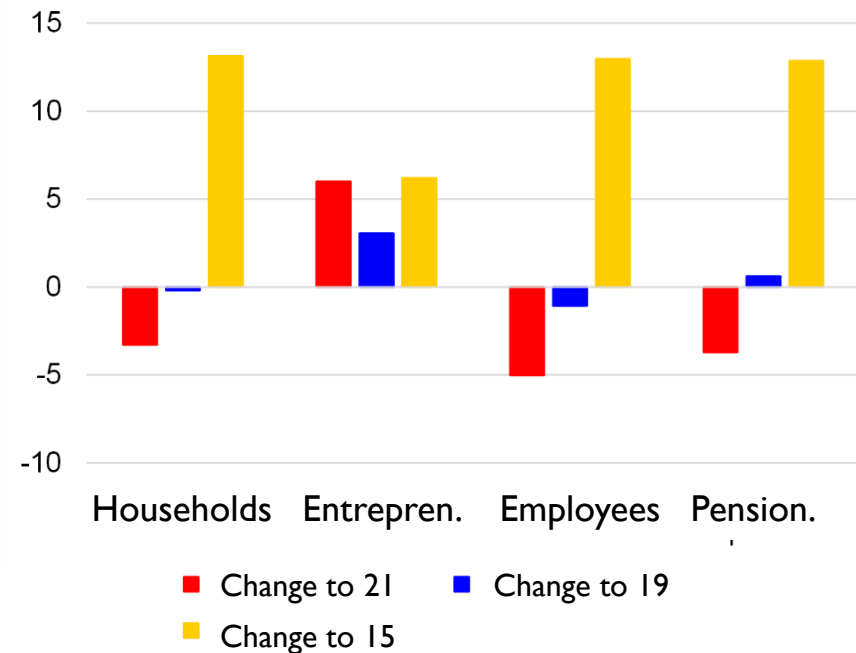
Consequences of recent inflation developments

Change in revenue (2022)

Change in household income



Change in households' real disposable income



Consequences of recent inflation developments

Purchasing power by source of income

Comparison(IQ 2021 to 2Q 2024)

	IQ 2021	2Q 2024	Nominal growth	Real growth
Consumer Price Index	113,4	151	33,2	
Average (gross) wage	35 804	45 854	28,1	-5,1
Median (gross) wage	30 389	38 529	26,8	-6,4
Average pension	15 453	20 700	33,9	3,7
Prague Stock Exchange (PX)	1 030	1 546	50,1	16,9

Consequences of recent inflation developments

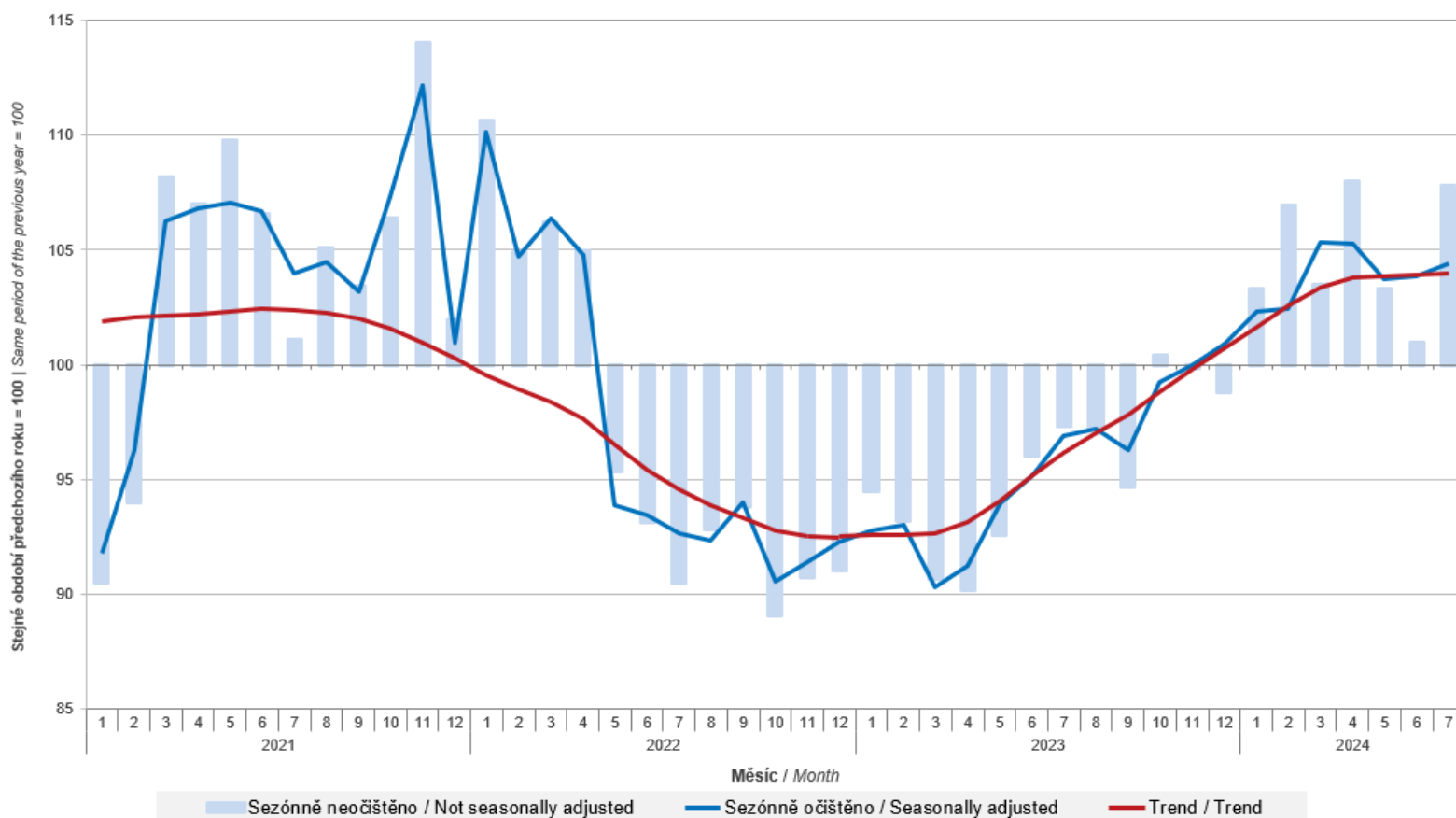
Purchasing power by selected industries

Average (gross) wage	1Q 2021	2Q 2024	Nominal growth	Real growth
Industry	34493	46602	35,1	1,9
Accommodation, catering and hospitality	19805	27007	36,4	3,2
Wholesale and retail;	33119	42339	27,8	-5,4
Professional, scientific and technical activities	43319	55915	29,1	-4,1
Administrative and support activities	24970	31984	28,1	-5,1
Public administration and defence; Compulsory social security	38268	47395	23,9	-9,4
Education	34846	42582	22,2	-11
Health and social work	39967	50706	26,9	-6,3

Consequences of recent inflation developments

Development of retail sales

Retail sales (annual changes; constant prices)



Consequences of recent inflation developments

Exchange rate developments

Comparison of CZK/EUR and HUF/EUR development

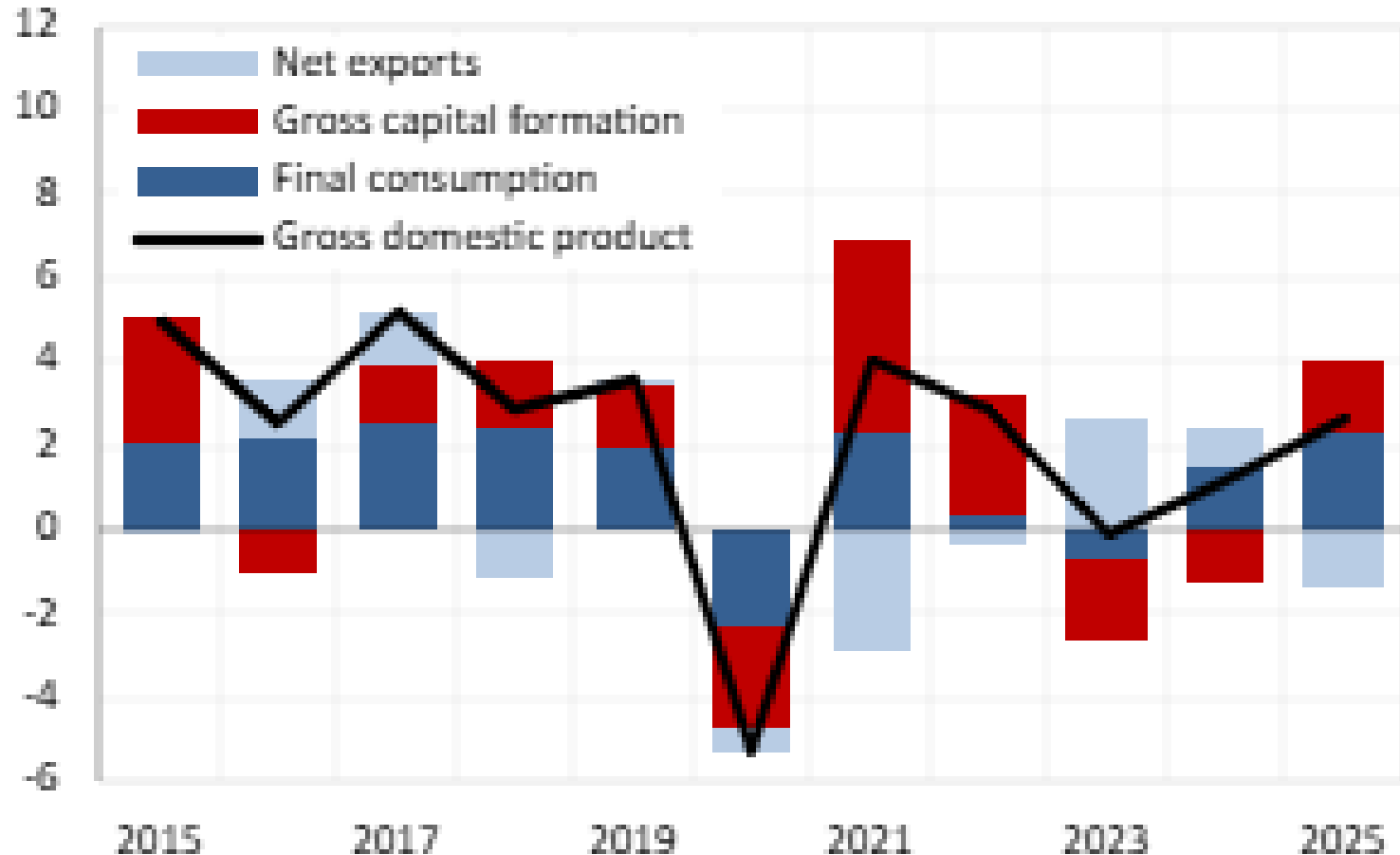


Zdroj: https://www.google.com/finance/quote/CZK-EUR?sa=X&ved=2ahUKEwi05JnWsb2IAxWS_7sIHVAWJeAQmY0JegQIChAp&window=5Y&comparison=HUF-EUR

Consequences of recent inflation developments

Development of the Czech economy

Real GDP and its sub-components growth



Source: <https://www.mfcr.cz/en/fiscal-policy/macroeconomic-analysis/macroeconomic-forecast/2024/macroeconomic-forecast-august-2024-56804>

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Thank you for your attention

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