Snap | 17 August 2026 CZECH REPUBLIC

Construction pricing heats up in the Czech Republic

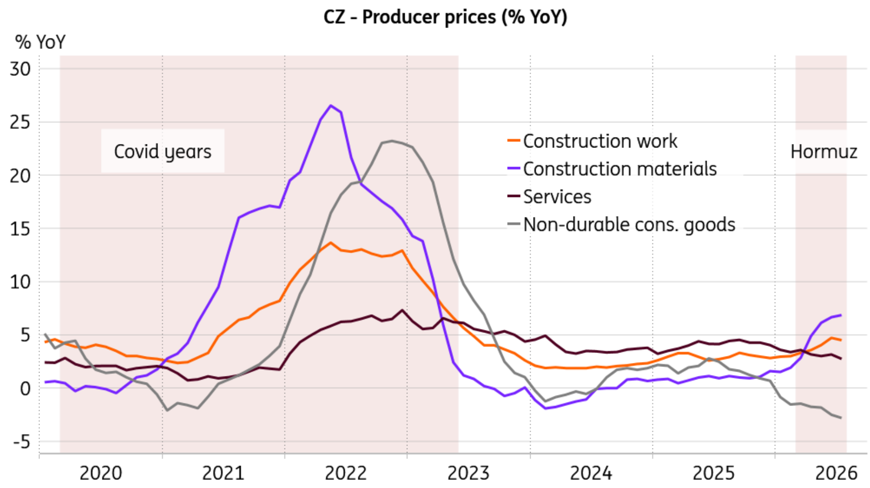
Price growth in construction remains upbeat, mainly due to accelerating construction material prices. Meanwhile, the annual decline of prices for non-durable consumer goods in manufacturing accelerated. Such a scheme may contribute to twofold dynamics within the consumer core inflation. Pricing in agriculture is on the downside once again

Strong demand and geopolitical tensions are the main drivers of rising construction material prices in the Czech Republic

Industrial and construction pricing drift apart

Czech industrial producer prices increased by 1.6% year-on-year in July and by 0.3% month-on-month, coming in slightly above market expectations. Agricultural producer prices were down by 13.0% from a year earlier, shedding another 1.3% MoM. Annual price growth of construction work softened to 4.5%, while annual price dynamics of construction materials picked up to 6.9% in July, both ultimately fostering imputed rent growth in consumer inflation. Prices of market services for businesses dropped by 1.8% MoM in July, with their annual dynamics slowing down to 2.8% in July from 3.2% recorded previously.

Material prices driven by Strait of Hormuz shock and ample demand

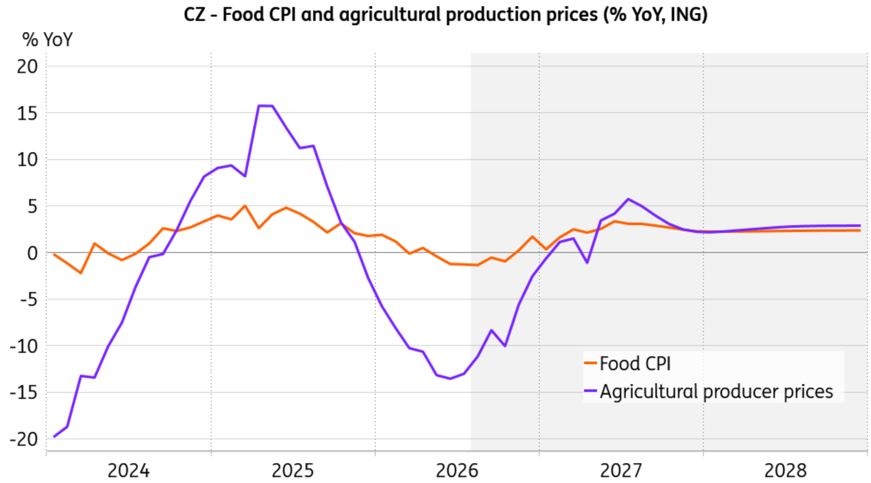


Source: CZSO, Macrobond

The main drivers of the monthly pickup in industrial pricing were prices of coke and refined petroleum products, along with prices of electricity and natural gas. When assessed by the main industrial groups, prices of intermediate goods added 4.4% in July. Meanwhile, prices of non-durable consumer goods declined by 2.9% in annual terms. Industrial producer prices, excluding energy, were up by 1.4% YoY. The breakdown clearly illustrates the impact of the global negative supply shock, when the input costs surge, while the ability to pass those through to end prices is limited.

The decisive limiting factor is the intensifying global competition, partially fostered by Chinese overproduction and the constrained efforts to propel the consumption appetite of Chinese households in times of considerable economic uncertainty. And yes, we have observed during the Covid shock that the price dynamics in non-durable consumer goods may kick in with a significant lag. However, we take the side that things are a bit different this time: i) the global consumer has to reach deeper into his pockets this time, and ii) China's attitude shifted from striving to become a demand-driven economy to the aim of overproducing everyone else.

Prices in agriculture carry on with downward surprises



Source: CZSO, ING, Macrobond

The declining prices in agricultural production will further act as a moderating factor to headline consumer inflation via continuously weak dynamics in the foodstuffs segment. When looking ahead, we paint a tangible rebound in the dynamics of both agricultural production prices and consumer food prices, yet we have received one downward surprise after the other so far. We assess the softening price growth in business services as an interesting factor, as we believe that it's a decent proxy for what is going on in services pricing in general. With the price dynamics in construction and non-durable consumer goods segments drifting apart, this suggests a continued decoupling of the two parts of consumer core inflation, when imputed rents add to the heat while the rest of core inflation might cool off somewhat.

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