Czech Statistical Office

The Czech Economy Development in Q1 2008

June 20, 2008

Main trends

- The rate of economic growth decreased in the 1st quarter of 2008. There was a slowing down of the growth of gross value added, gross domestic product, domestic as well as foreign demand and supply as well as available resources and their utilization. The high growth of consumer prices had a negative impact on the purchasing power of households and their real spending, and the considerable worsening of the foreign trade terms of trade had a negative impact on gross domestic income. According to conjunctural surveys, the confidence in the economy fell for both entrepreneurs as well as for consumers.
- From an income perspective, there was a greater growth of gross disposable income than spending on end consumption, and an increase of gross national savings as well as of their surplus over capital expenditures.
- Out of sectors of the economy, industry continued to maintain its production growth, even despite the high rate in the previous periods. Also the construction industry reported year on year growth and the value of newly concluded job orders increased. The growth of revenues in retail slowed down and the revenues from merchant trade had a record increase.
- The current account of the balance of payments reached a surplus in the 1st quarter for already the fourth year in a row, due to the favorable influence of foreign trade of goods and services. The deficit of the financial account was well covered by it.
- The growing prices of raw materials, oil and food on the world markets were reflected into the fast growth of prices on the domestic market. Also administrative interventions had an influence on the growth of consumer prices. Among the interventions were an increase of the regulated prices of rent, an increase of the VAT rate from 5% to 9% and the introduction of regulatory fees in health care.
- With the growth of the employment level, unemployment continued to decline. In the 1st quarter of 2008, there was an extraordinary growth of nominal wages, but thanks to the acceleration of consumer prices, which began already at the end of 2007, the real wages grew significantly more slowly (by 2,8%).
- The growth of the money supply in the economy slowed down. When comparing first quarters, loans to business and households grew the fastest year on year since 1994, the net loan to the government sector declined steeply.
- The renewal of the deficit of the state budget was influenced by the strong growth of capital expenditures and non-investment transfers to local budgets.