

4.8 Gross Disposable National Income

- Large decrease in GDNI than in GDP**

The development of income, expenditure and capital transactions in 2009 resulted in substantial changes in the creation of gross national savings and in the rate of financing of expenditure on gross capital formation from domestic and from external sources. The sharper decrease of gross disposable national income (GDNI) than that of GDP was primarily negatively influenced by the far larger drop in primary income from non-residents than primary income to non-residents. The extent (size) of gross national savings and the decrease in the saving rate were negatively affected, in addition to primary causes (net primary income from GDP drained from non-residents), as a result of the growing expenditure on final consumption with decreasing GDNI. The dominance of propensity to consume over propensity to save was markedly stronger in 2009 than a year ago.

- Significant influence of net income to non-residents**

There was an outflow of 244.6 billion CZK from the Czech Republic in the form of net primary income and net current transfers to non-residents in 2009, which was 53.1 billion CZK more than one year ago. The GDP value thus decreased by 6.7%, i.e. by more than 1.5 percentage points on a year-to-year basis. The GDNI value of 3,382.6 billion CZK for 2009 was lower than the GDP value by the aforesaid amount (244.6 billion CZK). It represents the part of GDP generated in the Czech Republic by foreign factors of production or, as the case may be, the net income earned by non-resident entities. On a year-to-year basis, GDNI was 114.9 billion CZK smaller. With regard to the increased final consumption expenditure, there was a substantial year-on-year drop in gross national savings (by 166.3 billion CZK), so that their amount of 743.9 billion CZK was, to a larger extent than a year ago, insufficient to finance the expenditure on gross capital formation. Although this expenditure was substantially lower on a year-to-year basis, it exceeded gross national savings by 5.0% (by 2.0% a year ago). The difference between the saving rate (22.0%) and the investment rate (23.1%) was greater by 0.4 percentage points in 2009 than in 2008. The generated gross national savings in 2009 were sufficient from 95.2% to finance capital expenditure, and the remaining 4.8% had to be covered from foreign sources. Capital transactions show that capital transfers to non-residents grew faster than capital transfers from non-residents, which resulted in a 2.9 billion CZK decrease in net borrowings (to 3.9 billion CZK).

Table No. 4.8.1 Gross disposable national income

In billion CZK, current prices

	2004	2005	2006	2007	2008	2009
GDNI	2,658.5	2,837.1	3,044.2	3,268.1	3,497.5	3,382.6
Final consumption	2,038.5	2,122.9	2,248.8	2,405.0	2,587.2	2,638.7
Gross national savings	620.0	714.2	795.4	863.1	910.3	743.9
Gross capital formation	774.4	766.2	863.2	954.6	933.8	781.0
Balance of current transactions with non-residents	-154.4	-52.0	-67.8	-91.5	-23.5	-37.1
Saving rate in %	23.3	25.2	26.1	26.4	26.0	22.0
Investment rate in %	29.1	27.0	28.4	29.2	26.7	23.1
Financing of GCF from external sources in %	19.9	6.8	7.9	9.6	2.5	4.8

Source: CZSO, national accounts, own calculations

- Substantial decrease in gross national savings in real terms**

GDNI belongs to income-based rather than to production-based concept; however, its crucial part (final consumption expenditure) is also expressed in year-on-year comparable price conditions. With the application of the relevant price coefficients, GDNI was (for analytical purposes) recalculated to constant prices. In real terms, GDNI for 2009 was 5.8% lower on a year-to-year basis, i.e. it declined 1.6 percentage points more than GDP. This in turn implies that, with the final consumption expenditure growing by 1.2%, the volume of gross national savings dropped by more than one-fourth (by 25.6%) and the negative balance of national current transactions, i.e. external sources to finance gross capital formation, increased considerably.

The overall economic position and the basic macroeconomic proportions expressed, in both nominal and real terms, by the development of GDP and its expenditure components show that the year of 2009 was marked by fundamental structural changes and by a considerable decrease in the aggregate economic performance. Both concern mostly the foreign economic transactions and expenditure on gross capital formation, particularly the creation of inventory. As a consequence of these changes, there was – on a year-to-year basis – not only a substantially different proportion between the realized domestic demand and the efficient domestic supply, but also a difference in how aggregate demand was covered by domestic and external sources. The increasing dominance of effective domestic supply over realized domestic demand resulted from a larger decrease in external supply than in external demand which, at the same time, led to a high active balance of foreign trade in goods and services. The depreciation of CZK has also made its contribution to this development, causing that its exchange rate corresponded to its purchasing power even less than a year ago. Among the components of realized demand, the expenditure on gross fixed capital formation decreased markedly, while the household consumption expenditure recorded only a negligible decline and the expenditure of government and non-profit institutions grew strongly. Substantial deaccumulation of inventory helped limiting the decrease in effective domestic supply so that it was lower than that of GDP.

After seasonal adjustment, GDP started decreasing, on a year-to-year basis, in the 4th quarter of 2008 already and the downward trend continued in the 1st half of 2009, with its growth recovering in the 3rd and 4th quarter of 2009 already. Seasonal factors had a positive effect on the GDP development in the 2nd quarter and a negative effect in the 1st quarter of every year. At the same time, seasonal factors had a highly different influence on the development of expenditure components and net exports.

As a result of favourable terms of trade and appreciation of Czech national labour on foreign markets, not only the trading profit was considerably high, but also GDI decreased significantly less than GDP. After the strong outflow of net primary income and net current transfers to non-residents or, as the case may be, net income for foreign factors of production, the decrease in value of GDNI was larger than the decrease in GDP. Consequently, and also with the contribution of the growing final consumption expenditure, there was a substantial decrease in gross national savings, which were insufficient to finance the expenditure on gross capital formation to a larger extent than a year ago.