

## 1. Summary

- The Gross domestic product (GDP) increased by 2.4%<sup>1</sup> in year 2022. Especially the capital expenditures and foreign demand contributed to this development. On the contrary, the domestic consumption was falling last year. The growth was weakening during the year 2022 and the GDP went up by 0.2% year-on-year in Q4. The year-on-year economic growth was mainly supported by the foreign demand in the second half of the year. In contrast, the favourable effect of the capital expenditures subsided and the decrease of the domestic consumption deepened. Compared to Q3, the GDP dropped by 0.4% and it represented a second quarter-on-quarter decrease in a row. The foreign demand had a positive effect also on the quarter-on-quarter GDP dynamics; however both the consumption and capital expenditures were falling. The Gross domestic product expanded in total by 1.7% in the EU year-on-year in Q4 and it fell by 0.1% quarter-on-quarter. The CR thus ranked among the countries with the below-average GDP dynamics towards the end of the year.
- The Gross value added (GVA) increased by 2.5% in year 2022. Mainly services contributed to growth, while various difficulties prevailed in industry – disruption of supplies of components or the growth of prices of energies and raw materials. The GVA increased the most under the influence of weak comparative basis in other activities. Information and communication and professional, scientific, technical and administrative activities also prospered. Due to the effect of favourable results in manufacturing of motor vehicles and affiliated branches the GVA grew soundly in manufacturing, industry as a whole however grew slower. The GVA only decreased in agriculture, forestry and fishing last year. The GVA grew by 1.0% year-on-year in Q4 and it grew by 0.3% quarter-on-quarter. The GVA grew the most in manufacturing year-on-year towards the end of the year. On the contrary, it fell in the significant division trade, transportation, accommodation and food service.
- Export of goods and services as well as the import expanded similarly in real terms by 5.7%<sup>2</sup> year-on-year last year. The balance of foreign trade with goods and services in current prices dropped into the 8.3 CZK bn deficit for the first time since year 2003. Export of goods and services increased by 9.7% in real terms year-on-year in Q4. Import increased by 7.6% year-on-year. The balance of foreign trade with goods and services worsened by 4.9 CZK bn year-on-year in Q4, it nevertheless remained in surplus (11.1 bn). The trade with oil and natural gas as well as other imported goods and materials, which experienced a marked price growth the most affected the worsening of balance of trade with goods last year. Price factors also stood behind the improvement of the balance of trade with electricity, gas, steam and air conditioning and the revival of export of motor vehicles also contributed positively.
- Total price level (gauged by the GDP deflator) rose by 8.4% last year. The year-on-year growth of the price level during the year strengthened up to 10.7% in Q4. Quarter-on-quarter, the price level lowered by 0.5%. The consumer prices increased by 15.1% last year. Their year-on-year growth reduced to 15.7% in Q4. The growth of prices was all encompassing last year and it was double digit in 7 out of 12 consumer basket divisions. The three most weight-significant divisions of consumer basket, i.e. housing and energies, food and non-alcoholic beverages and transport, had the largest effect on the growth of price last year. For food the growth accelerated in the second half of the year, the dynamics on the contrary eased its pace in case of housing and energies and transport.
- Monetary policy-relevant interest rates were rising in H1 last year and remained at a constant level since June till the end of the year. The client rates on term deposits were raised and the credit financing for both households and businesses became more expensive during the year. There was perceptible spill over of funds from current accounts to term deposits.
- Total employment<sup>3</sup> expanded by 1.7% last year. It increased by 1.3% year-on-year in Q4, however quarter-on-quarter it decreased for the second time in a row, specifically by 0.4%. The general unemployment rate stagnated since the beginning of the year and it attained 1.8% for males and 2.5% for females in December. The average gross monthly nominal wage reached 40 353 CZK last year. It grew by 6.5% in nominal terms, however

<sup>1</sup> Data regarding the GDP, gross value added and their components are expressed in constant prices and adjusted for seasonal and calendar effects.

<sup>2</sup> According to the methodology of quarterly national accounts (export and import in FOB/FOB prices).

<sup>3</sup> Employment data are in the national accounts conception and adjusted for seasonal effects.



considering the strong growth of the consumer prices it plunged by 7.5% in real terms. The average wage rose by 7.9% to 43 412 CZK year-on-year in Q4. Quarter-on-quarter, it was by 2.1% higher.

- The state budget (SB) ended in deficit of 360.4 CZK bn last year. More successful SB management in Q1 mainly contributed to the year-on-year decrease of the total deficit. The impacts of the war in Ukraine, i.e. the acceleration of the growth of prices of energies as well as fuels and costs connected to the refugee wave were at the beginning adversely apparent more on the expenditure side of the budget. Their negative impact also on the budget revenues was however still more evident towards the end of the year, first of all in the area of indirect taxes.

## Selected Key Indicators of the Economic Development\*

Indicator	Unit	2021			2022		Whole year	
		4q	1q	2q	3q	4q	2021	2022
<b>Economic Performance</b>								
Gross Domestic Product in the CR <sup>1</sup>	y/y, in %	3,5	4,7	3,5	1,5	0,2	3,5	2,4
	q/q, in %	0,8	0,6	0,3	-0,3	-0,4	x	x
Gross Domestic Product in the EU <sup>1</sup>	y/y, in %	5,1	5,7	4,4	2,6	1,7	5,4	3,5
Final consumption expenditure <sup>1</sup>	y/y, in %	5,4	5,9	0,5	-4,1	-5,4	3,2	-0,4
Gross fixed capital formation <sup>1</sup>	y/y, in %	4,1	7,0	6,0	7,2	4,6	0,8	6,2
Exports of goods and services <sup>1,3</sup>	y/y, in %	-3,9	0,4	1,7	11,1	9,7	6,8	5,7
Imports of goods and services <sup>1,3</sup>	y/y, in %	6,0	5,3	2,2	7,6	7,6	13,2	5,7
Balance of foreign trade <sup>2,3</sup>	in CZK bn	16,0	1,2	-23,0	2,4	11,1	179,3	-8,3
Balance of economic sentiment indicator <sup>6</sup>	in p.p.	3,3	4,4	6,3	-2,6	-3,3	3,3	-3,3
<b>Performance in Main Branches</b>								
Industrial production <sup>4</sup>	y/y, in %	-1,9	0,3	0,8	6,1	3,2	6,6	2,5
Construction production <sup>4</sup>	y/y, in %	5,0	11,3	4,0	-0,8	-0,1	2,4	2,6
Sales in services <sup>4</sup>	y/y, in %	12,7	14,1	12,3	7,2	1,6	7,5	8,5
Sales in retail trade <sup>4</sup>	y/y, in %	6,2	6,5	-3,0	-7,5	-9,2	4,4	-3,8
<b>Prices</b>								
Consumer price index	y/y, in %	6,1	11,2	15,8	17,6	15,7	3,8	15,1
HICP in the CR	y/y, in %	5,0	10,2	15,0	17,4	16,5	3,3	14,8
HICP in the EU	y/y, in %	4,9	6,5	8,8	10,3	11,0	2,9	9,2
Agricultural producer prices	y/y, in %	15,7	23,9	39,0	37,0	28,0	6,3	31,8
Industrial producer prices	y/y, in %	12,8	21,8	27,7	25,9	21,8	7,2	24,3
Service producer prices in the bus. sph.	y/y, in %	1,8	4,2	5,8	6,5	6,7	1,3	5,8
Terms of trade in trade with goods	in %	97,9	96,4	95,9	94,3	98,2	99,7	96,2
<b>Labour Market</b>								
Total employed in the CR <sup>3</sup>	y/y, in %	1,7	1,5	2,3	1,8	1,3	0,4	1,7
General unemployment rate in the CR <sup>5</sup>	in %	2,3	2,4	2,4	2,3	2,4	2,8	2,4
General unemployment rate in the EU <sup>5</sup>	in %	6,5	6,2	6,1	6,1	6,1	7,0	6,1
Average employee wage (nominal)	y/y, in %	2,9	7,3	4,4	6,2	7,9	4,8	6,5
Average employee wage (real)	y/y, in %	-3,0	-3,5	-9,8	-9,7	-6,7	1,0	-7,5
<b>Monetary Conditions</b>								
Two week repo rate <sup>6</sup>	in %	0,75	3,75	4,50	7,00	7,00	0,25	3,75
Exchange rate CZK/EUR		25,4	24,7	24,6	24,6	24,4	25,6	24,6
Exchange rate CZK/USD		22,2	22,0	23,2	24,4	23,9	21,7	23,4
<b>State Budget<sup>7</sup></b>								
State budget balance in the CR	in CZK bn	-93	-59	-124	-88	-90	-420	-360
State debt <sup>6</sup>	in CZK bn	2 466	2 594	2 708	2 890	2 895	2 466	2 895

Data source: CZSO, CNB, MF, Eurostat

\* Unless stated otherwise, data relate to the CR.

<sup>1</sup> data adjusted for seasonal and calendar effects in constant prices<sup>2</sup> data adjusted for seasonal and calendar effects in current prices<sup>3</sup> in the national account conception, in natural persons<sup>4</sup> adjusted for seasonal effects<sup>5</sup> seasonally adjusted, age group 15 – 74 years<sup>6</sup> balance at the end of period<sup>7</sup> based on treasury fulfilment