

The Czech Economy Development in H1 2006

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Main Tendencies

In H1 2006 a dynamic growth of the Czech economy has been continuing. In terms of real comparison the y-o-y GDP grew by 7.1% in Q1, in Q2 by 6.2%. In total the y-o-y GDP jumped by 6.6% in H1. The process of convergence of the economic level of the Czech Republic and the average economic level of EU-25 countries has further been getting on. Increase in demand of households partook in the economic growth of the CR to a large degree; on the other hand the influence of both net exports and gross fixed capital formation on the GDP lessened. On the supply side a dynamic growth in industry supported the GDP growth; the economic performance of industry measured by index of production arose by 11.9%. Breaking off advance trends of exports against imports at current prices by keeping of active foreign trade balance ending in a surplus of CZK 37.2 milliard fell into main traits of the foreign trade development. The prices development can illustrate the prices increase in three main groupings; increase in consumer prices, prices of industrial manufacturers and import prices. Prices of exports dropped so that it affected negatively exchange relations. The growth phase of the economic cycle contributed to joblessness cutting, employment increase and nominal wages increase in business sector. An accelerated volume enlargement of money supply and relatively low interest rates of loans affecting the y-o-y loans of households almost by one third pertained to typical features of the financial sphere development in H1. However the state budget ended in a surplus in H1, a deceleration in income growth and an acceleration of outcomes growth concurrently occurred.