

Gross domestic product

- **Considerable increase of GVA growth in the industry**

The nominal growth of Gross Value Added (hereinafter GVA only) was 6.6%, in real terms by 4.8%; its higher implicit deflator than the deflators of production and intermediate consumption represents a certain kind of success indicator of economic entities within the realization of the production activity results. A branch change of the GVA structure reinforced the tertiary sphere in the group of the branches of financial and banking services, which was mainly achieved due to a considerable price level growth. In real terms, GVA manifested the highest growth in the industry (11.6%), which represented three quarters of its total growth. A decrease of GVA was recorded in the construction industry (4.6%) and mainly in the branches of agriculture and forestry (21.6%). Work productivity measured by GVA per employee grew by 2.4% and contributed to its growth by more than a half (54.5%).
- **Decisive contribution of net exports to GDP growth**

The largest contribution to the real annual increase of GDP of 4.9% in the 1st half of 2008 was made by net exports (3.2 p.p.), when the positive influence of exports (12.7 p.p.) overcame the negative influence of imports (9.5 p.p.). The above mentioned contribution of net exports was significantly higher than a year ago. The consumer and investment demand showed a significant decrease and their contribution to the GDP growth (1.7 p.p.) was considerably lower than a year ago. End consumption expenditures grew by 2.5% in real terms, out of which consumer expenditures of households grew by 3.1%, and contributed to the GDP growth with 1.4 p.p. However, their value structure considerably changed: the price level increase (70%) contributed to their growth much more than a year ago when the figure was only 23%. The remaining shares result from an increase of the physical volume. The expenditures on creation of gross capital showed a slight increase (0.6%), out of which fixed capital 4.3%, which led to the 1.1 p.p. positive influence of the fixed capital creation and 0.9 p.p. negative influence of inventory creation on GDP growth.
- **Increased coverage of domestic demand by domestic supply**

In the 1st half of 2008 there were bigger structural changes on the supply part than on the demand part, which was the consequence of a lower annual increase of inventory creation. The share of the domestic realized demand in the aggregate demand remained nearly the same in the year to year terms (53.2%) while the share of domestic effective supply in the aggregate supply grew by 0.7 p.p. (to 57.2%) mainly thanks to a lower accumulation in inventories. The surplus of domestic supply over external supply amounted to more than third. The structural changes also resulted in an increased coverage of domestic demand by domestic supply (from 106.6% to 107.5%) and external supply by external demand (from 108.1% to 109.4%). The value increase of the aggregated demand and supply was influenced by the increase of the domestic price level and decrease of foreign trade prices to a different extent on both parts. The implicit deflators of aggregate demand (98.8%) and aggregate supply (98.9%) indicate a reduction of the overall price levels caused exclusively by the decreasing prices of foreign trade while the implicit deflator of domestic demand was higher (104.5%) than that of the domestic supply (102.2%) and the implicit deflator of external demand was lower (93.7%) than that of external supply (95.4%).
- **Significant increase of domestic effective supply**

The growth of aggregated demand (8.4%) was slightly higher than the growth of aggregated supply (8.3%) in real terms in the 1st half of 2008 annually and the growth was influenced to a much higher extent by external economic relationships than transactions in the domestic market. Domestic realized demand weakened mainly due to a low growth of real available revenues of households and only grew by 3.0%, i.e. less than a year ago and contributed to the growth by 1.4 p.p. The contribution of the external demand growth (13.6%) reached 7.0 p.p. Domestic effective supply grew considerably (by 6.2%); however, its influence on the growth of aggregate supply (3.0 p.p.) was lower than last year. The contribution of the external supply growth (9.7%) achieved 5.3p.p. This means that domestic supply exceeded domestic demand by 5.0%, but did not achieved the external supply level (by 6.7%). At the same time the external demand volume was higher than the external supply volume by 4.8%.
- **Considerable slowdown of the**

Due to a high devaluation of Czech national work in foreign markets the gross national income only grew by 3.5% in real terms in the 1st half of 2008, i.e. less than

growth of gross domestic income

by 4.7 p.p. than a year ago and by 1.4 p.p. less than GDP. The loss of unfavourable exchange rate relations amounting to 19.3 billion CZK for the 1st half of 2008 as compared to the profit from favourable exchange rate relations of 20.8 billion CZK for the 1st half of 2007 caused considerable qualitative annual changes. The development of foreign trade prices in both the periods shows at the same time that while in the 1st half of 2007 the annual increase of the export purchasing power was much faster than the growth of import demands for resources produced by imports, in the 1st half of 2008 the trend was opposite.

• ***Gross domestic income is still behind the GDP growth***

Gross Domestic Income (hereinafter GDI) grew less than GDP in the 1st half of 2008, which was strongly influenced by the outflow of net primary incomes abroad. In value terms GDP was by 8.8% higher than GDI (a year ago by 7.1%), which have a negative impact on gross domestic savings and the rate of financing of capital expenses from domestic resources. The lower increase of GDI (5.7%) than GDP (7.4%) with a significantly higher value increase of end consumption (8.0%) could not be enough to create the necessary value of gross national saving, which was the same as in the 1st half of 2007. The expenditures on creation of gross capital exceeded GDI by 5.2% (a year ago by 2.4%) while the rate of gross domestic savings dropped by 1.6 p.p. to 27.0% and was lower by 1.4 p.p. than the investment rate. Financing of the creation of gross capital from external resources grew to 4.9% (last year 2.5%). With regard to favourable capital transactions the value of net borrowings dropped by 3.2 billion CZK to 5.7 billion CZK.

• ***Increase of gross domestic savings in real terms***

GDI grew by 3.3% in real terms, i.e. less than GDP; however more than by 0.8 p.p. than end consumption expenditures. With regard to a considerable increase of the price level of end consumption and the lower implicit deflator of GDP the real growth of domestic savings paradoxically amounted to 5.5%, i.e. 4.9 p.p. more than the creation of gross capital, so the rate of their financing from external resources decreased significantly.