

The Czech Economy Development in Q1-Q3 2007

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Basic trends

- In the last ten quarters the GDP growth showed minimum wobbles, the average y-o-y growth rate reached 6.4%. In Q1-Q3¹ the growth rate was only 0,1 p.p. down indicating very moderate deceleration of economic growth this year.
- On the supply side of the economy the growth was most contributed to by manufacturing industry, trade and business services, on the demand side then by household consumption and in Q2 and Q3 a significant contribution came from the gross fixed capital formation.
- Owing to favourable development of terms of trade the national labour gained at the external markets and gross domestic income grew markedly faster in real terms than gross domestic product.
- Economic growth was affected in addition to labour productivity by the growth of employment more than a year ago and by a smooth drop of unemployment rate. The average nominal wage (in real terms) recorded a growth, too.
- Despite gradual deceleration of growth rate over the year the industry showed high dynamics in the reported period.
- External imbalance despite robust economic growth moderately deteriorated. In contrast, internal balance measured by the contribution of the state budget balance to gross domestic product was the best in the history of the Czech Republic.
- Price development showed an extremely rapid growth of implicit deflator and differentiation of wobbles in main price circles. Consumer prices grew in all quarters only moderately, the growth of industrial producer prices began to slow down in Q3. A significantly dynamic growth rate was recorded for agricultural producer prices in 2007. The terms of trade positive values continued to weaken over the year.

¹ If not stated otherwise the assessment refers to the whole period, i.e. Q1-Q3 2007.