

State budget

- ***A semi-annual deficit of the state finance after three years again***

In the 1st half of 2008 the growth of expenses of the state budget was the highest since 2000. The dynamism of expenses (+12.5%) was approximately the same as the dynamism of incomes (+11%). The result was the deficit amounting to 5.65 billion CZK. The state finance deficit - last recorded in the comparable period of 2004 - represented 0.3% of the nominal GDP.

Current expenses (+7.4%), representing nine tenths of the budges, grew more slowly than the total expenses - the volume of wages of state employees dropped by 0.5%, the paid pensions as the largest item grew by 4.1, a significant reinforcement of transfers to the budgets of municipalities by 15 billion CZK results from advance payments for school costs. Capital expenses were nearly doubled (by 26.7 billion CZK) due to a subsidy to the Traffic Infrastructure Fund representing the item of state budget expenses with the highest volume.

- ***Strong increase of the income tax of legal entities***

The increase of VAT income by 3.9% did not confirm its - as expected in the budget - strong growth resulting from the VAT increase that came into effect in January. The overall tax income grew by 8.1% (+53.3 billion CZK), non-tax income by 31% (+18.9 billion CZK). Income taxes of legal entities brought 29% more to the state, which represents the annual increase of 15.5 billion CZK (for the whole of 2007 the increase was 19.3 billion CZK). So the data do not indicate a reduction of the activity of the enterprise sector as regards profits. In spite of this the income part of the state budget is further burdened by the risk of a more significant loss of rate of the Czech economy.

Data sources: ČSÚ, MF ČR, ČNB, MPSV, calculations of ČSÚ.

The last information from the source of ČSÚ, ČNB and MPSV mentioned in this Report come from September 11, 2008. The Report is based on monthly statistic data of branch statistics and on quarterly estimates of GDP not purged from seasonal influences.

Table 1 Monthly Indicators

	Months 2007						Months 2008						
	VII.	VIII.	IX.	X.	XI.	XII.	I.	II.	III.	IV.	V.	VI.	VII.
Consumer prices ¹⁾ , in %	2,3	2,4	2,8	4,0	5,0	5,4	7,5	7,5	7,1	6,8	6,8	6,7	6,9
Producer prices ¹⁾ , in %	4,1	3,7	4,0	4,4	5,4	5,3	6,0	5,6	5,3	4,7	5,2	5,3	5,2
Exports of goods ¹⁾ , FOB c.p., in %	22,9	16,7	12,6	16,1	12,6	4,5	11,9	12,3	-4,1	14,0	1,4	2,5	3,2
Imports of goods ¹⁾ , CIF c.p., in %	20,9	16,1	9,6	14,3	9,3	3,9	11,6	13,1	-1,0	13,2	-1,2	-0,1	-0,9
Trade balance, in CZK billion	-0,8	-0,2	13,7	8,1	12,5	-2,8	12,0	13,7	7,3	7,2	10,1	15,3	7,2
Registered unemployment rate ²⁾	6,4	6,4	6,2	5,8	5,6	6,0	6,1	5,9	5,6	5,2	5,0	5,0	5,3
Industrial production ¹⁾ , in %	12,0	7,2	2,3	9,8	8,9	6,0	8,3	11,6	-2,1	12,0	3,1	3,4	6,7
Construction works ¹⁾ , real % change	-1,8	2,9	-1,9	3,2	7,1	5,6	0,8	11,7	0,5	1,3	-3,5	-3,0	6,9

Source: CZSO, MLSA

¹⁾ change on previous year²⁾ share of number of job applicants available registered by labour offices to total number of labour forces in % {according to data of Ministry of Labour and Social Affairs}**Table 2 Selected Quarterly Macroeconomic Indicators**

		2006		2007				2008	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross domestic product	in CZK billion, in c.p.	815 852	842 234	821 866	902 639	898 223	928 636	890 751	960 692
Gross domestic product	real % change	6,7	6,7	6,6	6,6	6,4	6,6	5,3	4,5
Final consumption	real % change	2,6	4,6	4,7	4,2	4,0	4,0	2,0	2,9
of which: household consumption	real % change	5,0	6,3	7,0	6,5	6,2	4,2	2,7	3,4
Gross capital formation	real % change	12,4	9,4	9,9	11,4	10,4	6,4	6,9	-4,3
of which: fixed	real % change	6,5	6,8	5,1	5,8	4,5	7,5	4,6	4,1
Exports of goods and services	real % change	12,8	17,4	15,8	14,1	15,6	13,1	13,0	14,1
Imports of goods and services	real % change	11,0	16,4	15,8	14,1	15,2	10,9	11,2	9,6