

## 1. Summary

- The Gross domestic product (GDP) of the Czech economy plunged by 5.6%<sup>1</sup> in real terms in year 2020, which represented the most severe downturn in the existence of the independent CR. All GDP components contributed to the slump last year, the domestic consumption and investment the most. Q4 2020 itself was affected by further wave of measures against the spread of covid-19. The foreign demand was not however hit to such a large extent in comparison to Q2. Resulting year-on-year decrease thus reduced to 4.7% and the GDP increased by 0.6% quarter-on-quarter. However, both the domestic consumption and investment markedly diminished in Q4. New wave of infections also compelled the rest of the EU to adopt measures. The Gross domestic product in the Union thus fell by 0.4% quarter-on-quarter and the year-on-year decrease deepened to -4.8%. Results were adversely impacted by the quarter-on-quarter downturn in large economies – France and Italy. Large number of European economies on the contrary mildly grew quarter-on-quarter.
- The Gross value added (GVA) fell by 5.5% last year and the slump hit majority of branches (with the exception of agriculture and forestry, information and communication, and also the segment of public administration, education, health, and social work). Grouping of trade, transportation, accommodation, and food service (-11.8%) as well as professional, scientific, technical, and administrative activities (-9.3%) recorded deep downswing. Export oriented manufacturing plummeted as well (-6.9%). The total GVA lagged behind the level of the preceding year by 4.7% in Q4, but it grew by 0.5% quarter-on-quarter. Other activities (especially personal services, such as hairdressing etc., year-on-year GVA decrease of 20.9%) and trade, transportation, accommodation, and food service (-14.7%) were again the most affected given the new wave of measures. In contrast, the year-on-year decline moderated to 1.1% in manufacturing.
- All-encompassing restriction of the economic operations during Q2 negatively affected the foreign trade and the exporters strived to make up for the losses in the second half of the year. Total export of goods and services dropped by 6.0%<sup>2</sup> and import by 6.1% in real terms last year. The balance reached surplus of 390.5 CZK bn, which was by 42.3 bn more year-on-year. Improvement concerned exclusively the trade with goods. Especially the trade with oil and natural gas influenced the increase of the positive surplus, in contrast the surplus of sale of motor vehicles decreased. In Q4, the foreign trade attained record results (surplus of 145.5 bn), in which just the sale of motor vehicles on the contrary participated to a large extent.
- The total growth of the price level according to the GDP deflator reached 4.1% last year, which is the most since year 2001. Both prices of consumption and capital goods significantly grew. Consumer price index increased by 3.2% last year, mainly under the effect of raised prices of food and non-alcoholic beverages, alcoholic beverages and tobacco and housing and energies. The growth of the consumer prices markedly slowed down to 2.6% in Q4, mainly due to the slower dynamics of prices of food. Slump of oil prices last year affected the majority of monitored prices indices, which dampened the year-on-year growth of industrial producer prices as well as import prices.
- Monetary policy-relevant rates were lowered in the first half of the year, which also affected other interest rates, especially the deposit interest rates. Decreased consumption subdued the dynamics of consumer credit for households, the volume of mortgages remained relatively unaffected.
- The economic downswing also affected the employment, which fell by 1.5%<sup>3</sup> last year. In manufacturing, which contributed significantly to this fall, the situation rather improved in Q4 2020 and the decrease did not deepen further. On the contrary, the employment plummeted down to 5% in the segment of trade, transportation, accommodation, and food service in Q4. The substantial development of information and communication on the contrary continued (+3.5%). The general unemployment rate grew only slightly, which was connected to the governmental stabilisation programmes as well as relatively notable increase of the number of economically inactive persons. The average gross monthly wage grew by 4.4% to 35.6 CZK thousand last year. However, large differences in the wage dynamic among the individual branches prevailed.

<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. They are adjusted for seasonal effects.



- The state budget reached a deficit in the amount of 367.4 CZK bn last year. The deficit deepened by nearly 340 bn year-on-year. The counter pandemic measures stood behind a decisive part of the budget deficit. On one hand they were major force behind the total budget costs growth (+18.8%), simultaneously it however led to the slump of total revenues (−3.1%). On the revenue side, considerable revenue fallout occurred both on the part of tax income and collection of social security insurance. Current outlays expanded, also including the compensation provisions to businesses, municipalities as well as households. The marked increase also on and non-pension benefits).