

Economic and social development of the Czech Republic in the 1st quarter of 2004¹

(Preliminary Figures)

Gross domestic product at constant prices² grew by 3.1% y-o-y (by 2.8% in Q1 2003). On the side of expenditures, **gross capital formation** rose fastest (+12.7%), of which gross fixed capital formation (GFCF) by 9.5%. Unlike 2003, GFCF became the most important source of GDP growth. Inventories went up by CZK 17.7 bn. **Final consumption expenditure** increased by 2.1%, of which final household consumption expenditure by 3.9%. A partial decrease of dynamics of consumption, compared to 2003, was primarily due to growing inflation. Government expenditure fell by 1.6%. In consequence of deteriorating balance of services, the **balance of external trade** in goods and services ran a deficit of CZK 7.2 bn (after conversion to 2003 prices), which affected GDP unfavourably.

Gross fixed capital formation has been growing since the beginning of 2003, with its y-o-y increases gradually rising: 8.5% in Q4 2003 and 9.5% in Q1 2004. The pressure of expected changes in VAT from 5% to 19% are assumed to have had effect. As for the commodity structure of gross fixed capital, investment in buildings and constructions grew faster than investment in machinery and equipment.

Final consumption expenditure at constant prices rose due to growing household expenditure by 3.9%. Household consumption was fuelled by increasing nominal income of the population, but the level of consumer prices started to grow, following two years of relatively stable price development. Unemployment increased too and affected household consumption in a rather negative way, just like growing inflation. The total current nominal income and current expenditure of the household sector rose by 5.9% and 8.3%, respectively, which resulted in higher gross disposable income by 4.7%. An increase of 5.2% in individual consumption expenditure led to a decrease of 3.0% in the nominal volume of gross household saving.

Aggregate labour productivity (GDP per worker³) went up by 3.9% y-o-y. The increase in GDP was achieved exclusively by higher aggregate labour productivity. As primary income per worker rose faster than labour productivity, unit labour costs grew.

Key economic characteristics

%

	2003				Q1 2004
	Q1	Q2	Q3	Q4	
Y-o-y change in GDP (constant prices)	2.8	2.9	3.4	3.3	3.1
Y-o-y change in final consumption (constant prices)	4.4	4.7	3.9	3.3	2.1
Y-o-y change in gross capital formation (constant prices)	2.7	6.1	4.7	9.5	12.7
Y-o-y inflation rate (quarterly average)	-0.4	0.1	-0.1	0.8	2.3
Registered unemployment rate (quarterly average)	10.11	9.62	9.88	10.00	10.73
State budget balance / GDP ratio, % ¹⁾	-5.4	-3.3	-4.2	-4.5	-1.2
Current account / GDP ratio, % ¹⁾	-1.4	-5.6	-7.5	-10.0	-2.6
Financial account / GDP ratio, % ¹⁾	5.8	2.9	6.5	10.7	0.6
Net exports / GDP ratio, % ¹⁾	-0.2	-1.4	-2.4	-4.7	0.1

¹⁾ At current prices

Sources: CZSO, Ministry of Finance, Ministry of Labour and Social Affairs, Czech National Bank; calculations by CZSO

Non-financial corporations with 100 or more employees reached by 18.7% higher gross profits (i.e. pre-tax profits) y-o-y at current prices. At the same time, they raised their costs profitability and equity capital profitability on average. The number of loss-making corporations went down by 14% y-o-y and accounted for nearly a third of the total number. Predominantly manufacturing, transport, storage, communications, and construction contributed to the y-o-y increase in gross profits. On the other hand, profits in mining and quarrying, hotels and restaurants, and in real estate activities and renting dropped. Agriculture, hunting and fishing remained in the red figures. Book value added produced in large non-financial corporations was by 12.1% higher y-o-y (the y-o-y growth of outputs was faster than the growth of intermediate consumption). Increases were recorded in all industrial and non-industrial CZ-NACE activities, with the exception of manufacture of coke, manufacture of refined petroleum products, processing of nuclear fuel, and agriculture. Total inventories have been at a constant level since the beginning of 2003, markedly higher inventories were reported by foreign-controlled enterprises. Overcapitalization, i.e. negative value of equity capital, was recorded in 4.2% of enterprises, yet the situation of the total volume of overcapitalization improved, compared with Q1 2003. Foreign-

¹ Unless otherwise stated, data refer to the 1st quarter of 2004 (Q1 2004).

² The GDP indices and GDP components indices are at average prices of preceding year, while the sales indices in individual CZ-NACE activities are at constant prices of 2000.

³ According to corrected employment data from the Labour Force Sample Survey conducted in households in compliance with international definitions and recommendations issued by the International Labour Organisation; the corrections reflect especially second jobs, foreign workers (both employees and entrepreneurs) found from administrative data sources, and women on maternity leave, apprentices and residents working abroad who have no immediate share in GDP by kind of activity.

controlled enterprises raised their book value added by 20.7% and gross profits by 28.2%. Having a third of employees, foreign-controlled enterprises produced more than half of gross profits made at large enterprises.

Trend of sales^{*)} in chosen CZ-NACE activities

		Y-o-y indices (%)								
CZ-NACE activity		Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q3 2002 to Q2 2003	Q4 2002 to Q3 2003	Year 2003	Q2 2003 to Q1 2004
Industry	Current prices	105.1	105.0	108.1	107.4	109.5	102.3	104.2	106.4	107.5
	Constant prices	105.8	105.9	108.5	107.0	107.7	103.2	104.9	106.8	107.3
Construction	Current prices	104.5	110.1	119.3	115.8	107.5	102.5	108.5	113.6	114.1
	Constant prices	102.3	107.7	116.8	113.3	104.9	100.1	106.1	111.2	111.6
Agriculture	Current prices	83.8	91.3	90.5	97.1	101.1	89.1	88.5	91.1	94.6
	Constant prices	98.5	100.5	89.5	92.7	88.8	102.7	97.1	94.5	92.5
Retail trade (CZ-NACE 50, 52)	Current prices	102.8	104.3	108.1	103.9	102.1	103.8	105.1	104.7	104.6
	Constant prices	103.3	105.7	107.5	103.2	100.8	105.3	105.9	104.9	104.3
Transport	Current prices	106.7	107.4	113.1	113.1	110.1	102.8	106.2	110.2	111.0
	Constant prices	101.4	103.2	108.7	108.7	108.6	99.9	102.4	105.7	107.3
Communications	Current prices	108.1	107.8	105.7	103.8	106.4	105.8	106.4	106.2	105.8
	Constant prices	107.8	108.6	106.8	105.3	105.4	106.0	106.6	107.0	106.5
Other market services	Current prices	99.2	104.5	105.4	105.5	111.7	102.3	102.9	103.6	106.8
	Constant prices	96.9	101.9	102.5	103.8	106.4	98.9	99.8	101.1	103.7

^{*)} The industry, construction and agriculture data refer to sales of own products and services; the data on the other CZ-NACE activities refer to total sales.

Industrial production rose by 9.0% in Q1 2004 (by 8.2% after working days adjustment). Output of consumer durables, intermediate goods and capital goods grew most. Manufacturing remains decisive for the results of the industry. Within manufacturing, the highest growth rates were reported for manufacture of basic metals and fabricated metal products, manufacture of electrical and optical equipment, and manufacture of rubber and plastic products. Mining and quarrying shrank. **Sales** of own products and services grew by 7.7% y-o-y. The growing sales were strongly affected by direct exports (+13.5% y-o-y), in which the participation of **foreign-controlled enterprises** was nearly three quarters. These enterprises accounted for more than half of the total sales. Employment in industry dropped by 2.1%. A high increase in labour productivity of 10.0% was faster than the rise in wages and resulted in lower unit wage costs by 1.3%. The considerable growth of outputs raised book value added (at current prices) produced by 11.9%. Gross profits of large **enterprises (with 100 or more employees)** were by 14.5% higher y-o-y; also their costs profitability and equity capital profitability grew. More than three quarters of the total number of large enterprises were profit making.

The volume of **new orders** in Q1 2004 was by 15.7% higher y-o-y, orders from abroad rose by 18.4%.

In April 2004, industrial production increased by 10.1% y-o-y, sales rose by 8.4%.

Electricity generation grew by 4.7% y-o-y (in nuclear power stations +31%). Domestic electricity consumption rose by only 2.4%, which resulted in growing balance of imports and exports representing more than 3.6 billion kWh in favour of exports (by nearly 0.5 billion kWh more than in Q1 2003). Imports of **natural gas** (in cubic metres) increased, while consumption fell. Imports of **petroleum** were lower y-o-y.

Construction output kept on growing very dynamically. The volume of construction work rose by 16.1% y-o-y. Favourable development was reported in all three months, affected particularly by new developer projects and completion of work on constructions of commercial, transport and dwelling nature. The expected transfer of construction work to the category of 19% VAT-rate contributed to the growth. Employment in construction fell by 3.0% y-o-y. The high rise of 19.7% in labour productivity in construction work caused lower unit wage costs by 7.5%, as wages went up slower. **Sales** of own products and services (predominantly from construction activity) grew by 4.9%.

New construction, reconstruction and modernisation accounted for 88% of construction work in **enterprises with 20 or more employees**, and repair and maintenance work made up roughly a tenth of the total. Construction work carried out by enterprises' own workers went up by 7.9%, i.e. markedly less. In terms of financial data, construction enterprises produced by 16% higher book value added y-o-y. Compared with Q1 2003, **enterprises with 100 or more employees** more than doubled their profits; their costs profitability and equity capital profitability rose too.

An exceptional growth rate of construction was reached in April 2004; construction output grew by 62.4%. Major part of this increase (two thirds) is estimated to have been affected by pre-invoicing and post-invoicing of construction work at the lower VAT-rate.

The number, volume and average size of **construction orders** increased y-o-y. Order books contained work in the Czech Republic and abroad worth CZK 173.4 bn at the end of Q1 2004. Nearly three in four were public orders.

Planning and building control authorities issued by 17.2% more **building permits** than a year earlier. In **housing construction**, the number of completed dwellings increased considerably (+21.6%) y-o-y; as a result, more than 6 thousand dwellings were built. Started dwellings grew moderately (+1.6%), and dwellings in progress went up by 6.2%.

Sales in **agriculture** increased by 1.1% y-o-y at current prices and dropped by 11.2% at constant prices. The number of workers and employees in holdings of agricultural primary production dropped by 5.9% and labour productivity per worker went down. Output and particularly book value added decreased markedly. Financial data of **holdings with 100 or more employees** show loss making, which was slightly lower than in Q1 2003. Only a quarter of the total number of large holdings were profit making. On 1 April 2004, populations of farm animals fell y-o-y, with the exception of sheep, horses and cows for meat.

Retail sales, incl. sale and repair of motor vehicles and sale of automotive fuel, rose by 0.8% y-o-y at constant prices, of which sale, repair and maintenance of motor vehicles and sale of automotive fuel dropped by 2%. Sale of new cars fell by a tenth (30 360 new cars were sold in Q1 2004, of which nearly a half were Skoda make). Retail sales (incl. repair of personal and household goods) grew by 2.3%, in enterprises with 250 or more employees by 7.5%. Foreign-controlled enterprises, i.e. hypermarkets and supermarkets, accounted for 73% of sales by enterprises with 250 or more employees. **Hotels and restaurants** raised their sales by as much as 7.7%. The number of employees in **retail trade total** rose by 0.7% y-o-y, but the number of workers fell by 1%. Labour productivity went up more than wages. Book value added in trade reached a growth rate of 3.1% y-o-y. Trade margin stood at 15.7% on average and 21.8% in retail trade.

Arrivals of foreigners stopped decreasing in the 2nd half of 2003 and have had a rising tendency since. In Q1 2004, by 2% more visitors came to the Czech Republic y-o-y. Departures of Czech residents abroad have been growing (+5.6% y-o-y). The active balance of **tourism** amounted to CZK 11 bn, i.e. by CZK 1 bn more y-o-y.

The accelerating dynamics of sales in **transport** continued, reaching an increase of 8.6% y-o-y. Sales grew fastest in transport via pipelines, in supporting and auxiliary transport activities (incl. travel agencies), and in air transport. Employment dropped by 0.8% and labour productivity increased faster than wages. Book value added produced by transport enterprises was considerably higher (+15.5%) y-o-y. Tonne-kilometres and tonnes transported were lower in transport by rail and by road alike, y-o-y. As for goods transport by rail, the decrease applied only to inland transport (a growth of 6.2% was recorded for international transport), transport of goods by road saw decreases for both inland and international transport. The performance of transport via pipelines rose by 4.3% y-o-y. Passengers transported by rail increased by 6.1%, by air transport by 29.1%. Very favourable financial data of **enterprises with 100 or more employees** resulted in gross profits that tripled y-o-y and increases in costs profitability and equity capital profitability.

Sales in **communications** rose by 5.4%, under gradually slowing down growth rates in telecommunications against preceding quarters. In terms of structure, post and courier activities accounted for only 14.3% of the total, telecommunications made up the rest. Employment decreased and labour productivity rose faster than wages. Book value added grew by 1.2%, unlike the past, particularly due to post and courier activities (book value added in telecommunications stagnated). **Enterprises with 100 or more employees** produced gross profits that were by 3.3% higher.

Financial intermediation reached by 89.2% higher total gross profits y-o-y. The highest increase was reported for insurance companies (profits more than tripled), highly profitable were also banking financial institutions (excl. the Czech National Bank) and non-banking financial institutions. Pension funds reached profits by 8.5% lower y-o-y.

Sales in **other market services** continued to grow, the y-o-y dynamics being 6.4%. Also the faster growth of sales of services to the population went on (+9.4%); their share in the total sales was nearly a quarter. Sales of services provided between enterprises rose by 5.5%. Employment in other market services increased by 3% y-o-y, the average monthly nominal wage went up faster than sales per employee (at constant prices). Book value added grew by 8.1%, under growing outputs. More than three quarters of the total sales took place in enterprises with fewer than 100 employees; their sales rose by 5.9%. On the other hand, large foreign-controlled **enterprises with 100 or more employees** (having a share of more than 8% in the total sales) raised their sales by 29% y-o-y.

The average annual inflation rate, measured as increase in the average **consumer price** index over last 12 months related to the average of preceding 12 months, stood at 0.8% in March, i.e. inflation rate grew by 0.7 percentage points, compared with December 2003. The level of consumer prices rose by 2.3% in total y-o-y, of which market prices went up by 1.5% and administered prices by 5.2%. The price level was pushed up particularly by prices of food and non-alcoholic beverages (especially higher prices of meat, bread, cereals and potatoes), prices of housing (mainly higher regulated prices of electricity and natural gas, heat, refuse disposal, water and sewerage), prices of post and telecommunications (the increase of VAT for public telecommunication services from 5% to 22%), and prices of other goods and services (prices of financial intermediation). Counteracting were prices of clothing and footwear, household equipment, mobile phones, and prices of recreation and culture. The price level in households of employees and households of pensioners rose by 2.1% and 3.2%, respectively, on average.

In terms of m-o-m comparison, prices in April and May 2004 stagnated and grew by 0.4%, respectively; y-o-y prices rose by 2.3% and 2.7%, respectively.

Producer prices continued growing. In terms of y-o-y comparison, prices in **agriculture** rose most (+13.8%, as against -14.9% a year earlier). The high rise in prices of plant products was affected by prices of potatoes, cereals, fruit, vegetables and oil plants. **Industrial** producer prices grew by 1.7%, of which most prices of food, beverages and tobacco and prices of basic metals and fabricated metal products. Prices in **construction** rose by 2.5% y-o-y, under a

simultaneous slower increase in prices of construction material inputs. The only CZ-NACE activity where prices fell considerably was **forestry**. Among **market services**, whose prices rose by 2.1%, mainly prices of business services and real estate and renting activities grew. Prices of **tangible investments** increased by 1.0% y-o-y.

The relation between **import and export prices** developed favourably. Import prices remained unchanged y-o-y, export prices rose by 2.6%. As for imports, the highest price increases applied to raw materials and semi-finished products, export prices grew most for mineral fuels and food. The total effect of the CZK/EUR and CZK/USD exchange rates raised particularly export prices, strengthening thus the positive values of **terms of trade**, which reached 102.6% on average. Compared with Q4 2003, they grew by 1.1 percentage points. Favourable terms of trade are reported mainly for machinery and transport equipment.

External trade retained its growing dynamics, which resulted from many internal and external factors, particularly favourable development of industrial production, consumer and investment demand in the Czech Republic and abroad, economic recovery in advanced countries, and movement of prices in external trade, incl. exchange rates changes. The y-o-y dynamics of growth was 12.4% for exports and 11.2% for imports. The higher share of exports than imports in increase of external trade turnover caused a decrease in trade gap to CZK 0.9 bn, i.e. by CZK 3.3 bn less y-o-y. Measured in EUR, the dynamics of growth of imports and exports were lower; those in terms of USD were higher (due to depreciation of CZK against EUR and appreciation against USD). As for groups of countries, more than three quarters of increase in imports fell on the EU member states, but imports from Japan and the United States rose considerably too. Exports to European transition economies, to CIS and to China saw above-the-average dynamics. As for commodity structure, the proportion of machinery and transport equipment strengthened in imports and weakened in exports. The active balance of trade in semi-finished products and materials and of trade in miscellaneous manufactured articles grew on the one hand, and the passive balance of chemicals and related products and of agricultural and food crude materials deepened on the other hand. Imports of crude materials, inedible, and mineral fuels dropped, particularly as a result of lower import prices. The share of inward and outward processing in external trade slightly weakened, although it moderately increased y-o-y. The favourable trend of terms of trade affected positively the trade gap. Imports at constant prices (after calculation, using the price deflator) rose by 10.7% and exports grew by 9.4%, all y-o-y.

In April 2004, exports and imports increased by 24.7% and 25.7%, respectively, y-o-y; the trade balance was passive by CZK 10.8 bn.

The current account of the **balance of payments** doubled its deficit and reached CZK 16.7 bn. The financial account of the balance of payments reached a surplus of CZK 3.6 bn, which was by CZK 31 bn less y-o-y. This surplus of the financial account was unable to cover the deficit of the current account. The deficit of the current account made up 2.6%, the surplus of the financial account 0.6% of the nominal GDP volume. Except for the trade balance, which improved its deficit against Q1 2003, all the other balances contributed to the higher deficit of the current account: the balance of services lowered its surplus by CZK 1.4 bn, the balance of revenues increased its deficit by CZK 2.8 bn, and the balance of current transfers decreased its surplus by CZK 7.8 bn. The state of the financial accounts was affected by a changed position of domestic banks against other countries. The banks reduced short-term indebtedness and raised their assets by form of deposits abroad. This resulted in outward flows of capital amounting to CZK 51.8 bn in the framework of other investment. Foreign direct investment inward flows of CZK 31.5 bn was slightly higher than in Q1 2003. At the same time, capital outward flows of portfolio investments seen in 2003 ended; CZK 25.6 bn came in Q1 2004 due to a higher demand of non-residents for purchase of shares and bonds on the domestic market. An increase in **foreign exchange reserves**, leaving aside exchange rate fluctuations, stood at CZK 6.9 bn (compared to CZK 12.3 bn in Q1 2003).

The state of foreign exchange reserves of the Czech National Bank reached CZK 724.9 bn at the end of Q1 2004. This volume could cover roughly 5 months' imports of goods and services.

In Q1 2004, the average nominal **exchange rate** of the Czech **koruna against the euro** was CZK 32.86 and **against the US dollar** CZK 26.30. The index of nominal effective exchange rate of the **koruna** was by 2% lower on average y-o-y. The index of real effective exchange rate of the **koruna** was by 2.8% lower based on consumer prices, and by 2.4% lower based on industrial producer prices.

The dynamics of growth of **money supply M2** grew by 7.0% on average y-o-y, i.e. the rate of growth accelerated. The volume of quasi money rose due to expectations of economic growth. Monetary aggregate M1 retained its high dynamics, rising by 14.7% on average y-o-y in Q1 2004. This development was supported by the low level of interest rates, which affected a rise in sight deposits.

The y-o-y dynamics of **loans** granted to enterprises and households dropped to 8.4%. The y-o-y increase in loans granted to households slowed down to 29.3%. The demand of households for debt financing remains high (investments in housing, low level of real interest rates, and supply of new loan products). Consumer loans (current accounts and loans to bridge temporary lack of resources) slowed down their y-o-y growth to 23.5%. The loans/household deposits ratio reached roughly one third in the last two years. The y-o-y dynamics of loans granted to non-financial corporations fell by 1% in Q1 2004. The average **interest rate** on total deposits and loans went down to 1.25% and dropped to 5.91%, respectively, in March. **Interest margin** between the total rates on loans and deposits was constant, being in March 6.90 percentage points in the household sector and 3.23 percentage points in the non-financial corporations sector.

Employment in businesses with **20 or more employees** of the business sphere (in financial intermediation irrespective of employment) and in all organisations of the non-business sphere fell by 1.6%. The most significant decreases were recorded for cooperatives (-8.4%), private businesses (-3.5%), state businesses (-3.0%), and the municipal sector (-1.3%). The average monthly gross **nominal wage** of employees in businesses with 20 or more employees grew by

8.8% and amounted to CZK 16 722. As consumer prices rose by 2.3%, the average **wage** rose by 6.4% in real terms. Wages in the non-business sphere increased by 9.7% on average due to a switch to the 16-class pay scale, and wages in the business sphere rose by 8.6%.

The estimated **number of workers in the whole Czech economy** (according to the business statistics), compared with Q1 2003, dropped by 1.0%. The **number of employees in the whole economy** fell by 1.3%. Their average wage grew by 8.0% and reached CZK 15 700.

The **registered unemployment rate** on 31 March 2004 rose to 10.7%, which was 0.5 percentage points up y-o-y. The seasonal character of unemployment was apparent by a high increase of people out of work in January, stagnation in February and decrease in March. The number of job applicants rose by 31.6 thousand y-o-y and made up 560 thousand at the end of Q1 2004. Highly alarming is the increasing number of long-term unemployed people (227 thousand persons were out of work for more than a year on 31 March 2004); their share in the total number of unemployed exceeded 40%. Unemployment hit particularly persons with basic education who accounted for nearly a half of the unemployed; on the other hand, the share of people with the highest educational attainment in the unemployed was only 3%. The proportion of school-leavers in the total number of job applicants reached 9.4%, which was less y-o-y. One in three unemployed people received unemployment benefits. Vacancies grew y-o-y, but less than people out of work. As a result, there were more job applicants per vacancy (13.2 persons at the end of Q1 2004). The situation on the labour market deteriorated in all regions, the districts of Most (24.3%), Karviná (21.3%) and Teplice (19.5%) saw the highest unemployment rates.

The registered unemployment rate stood at 10.2% and 9.9% at the end of April and May 2004, respectively.

According to **family budget statistics**, net **money income** in households of employees rose by 4.6% and 2.4% in nominal and real terms, respectively. In households of pensioners, it was down by 2.0% and 4.9% in nominal and real terms, respectively. Net **money expenditures** of employees fell by 0.4% and of pensioners dropped by 0.3%, all in real terms. The share of expenditures in the structure of net expenditures did not change markedly y-o-y: households of employees spent 19.2% on food and non-alcoholic beverages on average and 18.4% on housing, incl. energy, water and fuel, while households of pensioners spent on these purposes 25.7% and 26.6%, respectively.

In the framework of **social expenditures**, most resources were paid as pensions. The average old-age pension on 31 March 2004 was CZK 7 234, i.e. by 2.4% more y-o-y. As cost of living of pensioners went up by 3.3%, the pension's real value went down by 0.9%.

The **state budget** ran a deficit of CZK 7.8 bn in Q1 2004, which was by CZK 24 bn less y-o-y. This favourable figure resulted from total revenues being exceeded and total expenditures being lower than the budgeted level. The deficit/GDP ratio reached 1.2%. Total **revenues** were considerably better y-o-y and stood at 24.8% of the approved annual budgeted level. Most money was levied on tax revenues and social security premiums. Particularly income tax of natural persons, value added tax and excise tax contributed to the favourable result. On the other hand, the levying of income taxes of legal persons and taxes on property lagged behind. Revenues from social security premiums constituted 23.9% of the approved annual budgeted level, they rose by 8.5% y-o-y. Total **expenditures** of the state budget were met at 22.4% of the annual budgeted level, growing by only 2.3% y-o-y. Their significant share (40%) was channelled into the social sphere (particularly pensions, which slightly fell y-o-y). A considerable y-o-y decrease was recorded for non-investment transfers to territorial public budgets (-22.5%), even though they were met at 30.7% of the approved annual budgeted level. Capital expenditures were at 9.8% of the approved annual budgeted level.

State debt, amounting to CZK 537.9 bn at the end of Q1 2004, went up by CZK 108.8% y-o-y.

The state budget ran a deficit of CZK 45.4 bn at the end of May 2004.

The **population** of the Czech Republic was 10 210 thousand at the end of Q1 2004. The population shrank by 1.3 thousand in the course of Q1 2004. This decrease, caused by more deaths than births, was not offset by external migration. By 2.9 thousand more people came in the Czech Republic than left the country. External migration has been acting in favour of higher population for two years. There were 23.5 thousand live births, which was by nearly 1 thousand more than a year earlier. More than 30% of them were delivered out of wedlock. The birth rate in the Czech Republic remains one of the lowest across Europe. The number of marriages fell, while divorces grew. Among the positive aspects are the numbers of abortions that fall in the long term.