Summary

- As in previous years, large developing economies contributed to the growth of the global economy in 2011. The so-called BRIC group (Brazil, Russia, India and China) were joined by South Africa, Indonesia and Malaysia. While the European economy suffered from the sovereign debt crisis, the US economy, following support in the form of quantitative easing, grew faster than the EU-27 or Japan. The economic slump of the latter was also influenced by a natural disaster. Following the growth of prices in the first half of 2011, commodity stock markets continued to suffer losses, and some correction could be seen on stock markets after the end of each round of quantitative easing. Financial investors preferred bonds of countries with relatively healthy public finances (Germany). Gold and the Swiss franc have become popular “safe havens” for investments. As opposed to the stimulating impulses of economic policies in the USA, Eurozone, UK or China, the Czech economy operated in an increasingly restrictive environment in 2011.
- 2011 confirmed that real convergence of the Czech Republic towards the average level of economic and monetary union in Europe by GDP per capita based on purchasing power parity (PPS) was discontinued. According to Czech Statistical Office (CZSO) data from national accounts, the Czech economy continued to converge to the average level of EU-27 – following the visible increase of relative share since 2011 – even in the crisis year of 2009 when this indicator reached 82.2% of the EU-27 average. In 2010, the position of the Czech Republic with regard to GDP per capita in PPP dropped to 79.6% of EU-27 average – the position of Prague dropped from 175.5% to 172.3%, while other regions, Prague excluded, in aggregate dropped from 69.7% to 67.1%. Their real convergence for such a long period was almost unnoticeable, as the above-mentioned indicator of EU-27 average was 66.6% in 1995.
- While with regard to GDP growth rate the Czech Republic was positioned in the first third of EU-27 countries in the period 2004–2010, it stood in the middle of the ranking in 2011.
- In the decade 2000–2010, the majority of expenditure components of GDP had grown three times faster than the average of the most developed countries of the Union (EU-15). The exception was government final consumption expenditures, the growth of which was higher in the old EU countries (+23.2%) than in the case of the Czech Republic (+20.2%), the reason being much stricter cuts in the government sector of the Czech Republic in 2005–2011 when the expenditures rose only by 4%, while in the EU-15 they rose by 9% in aggregate.
- The growth of the Czech economy in the last two decades – with the exception of the currency crisis in 1990s – has been relatively stable without significant fluctuations of external or internal imbalance.
- Concerning the internal balance by government sector deficit to nominal GDP, the position of the Czech Republic has showed long-term improvement – from the 22nd place among EU-27 countries in 2000 to 9th place in 2011. Ironically, the position of the Czech Republic in the European context steadily declined in the years of the strongest economic boom. In 2011, the deficit of the Czech government sector was 3.1% of nominal GDP, and the value only slightly exceeded the convergence criteria limit determined by the Maastricht Treaty.
- The position of the Czech Republic with regard to gross debt of the government sector in the ranking of the EU-27 dropped from the 4th place in 2000 (17.8% of nominal GDP) to 7th place in 2011 (41.2%). However, in the European context the position is still positive – in the EU-27 the gross consolidated government sector debt to GDP ratio was twice the value of the Czech Republic’s in 2011 (82.5%), and even higher in the Eurozone (87.2%).
- Apart from a good position in terms of government sector debt, the private debt, i.e. debt of households and businesses, is also favourable in the Czech Republic – in relation to nominal GDP the debt was the third lowest in the EU-27 in 2010 (71.6% of GDP) while in 2003 it was 49.2% of the nominal GDP.
- A “complex” debt (both public and private) of 109.7% of GDP in 2010 meant that the Czech Republic held the position of the second least indebted country of the EU-27 (following Romania with 107.2% of GDP, while Slovakia with 110.1% of GDP was third). For instance, the total debt of Ireland stood at 385% of its GDP, while it was 351% for Cyprus, 318% for Portugal and 287% for Denmark. Greece with 269% of GDP was the seventh most indebted EU country with the highest government sector debt ratio (145%).

- Regarding the fulfilment of Maastricht criteria, i.e. the so-called nominal convergence towards the European level, the Czech Republic was successful in all criteria, with the exception of the 3% limit for government deficits in relation to GDP – however even in spite of this, these relative deficits were more positive than the EU-27 average; the criterion of the exchange rate stability is not fulfilled by the Czech Republic due to the fact that it does not participate in ERM II system.
- Concerning selected parameters of competitiveness, the Czech Republic continues to lose ground mostly because the labour is becoming more and more expensive – in 1995–2010 the most significant increase of real unit labour costs among the EU 27 countries was recorded. Also the increase of the Czech Republic’s share in world exports has been on continual decline following the peaks in 2004 and 2005.
- With regard to selected non-price factors of competitiveness, the Czech Republic maintains a position in the bottom half of the European ranking. In the so-called “knowledge-intensive activities“ there are 33.4% of the totally employed persons in the Czech Republic as opposed to 60% in Luxembourg and 51% in Norway or Switzerland. Regarding the support of sophisticated activities, in the form of the share of expenditures on research and development, in 2005 and 2006 the Czech Republic was making a significant progress towards convergence to the EU-27 average, but later an opposite trend occurred. In 2010, the share was 1.56% in the Czech Republic against 2% of the EU average, in Finland it was 3.9% and in Sweden 3.4%, but only 0.6% in Slovakia. Education as per share of persons with tertiary education is not growing in the Czech Republic when compared to the European average. Since 2006, the share of young women with this level of education in relation to the total number of women in the age group of 25–34 has been on a steady increase against less growth of the share of young men. This poses a risk for demographic development, as social research shows that women with such a level of education often tend to postpone motherhood or do not have children at all.