

Basic trends

In 2007 the development of the Czech economy showed continuous stability. The growth recorded the highest figures in the history of the Czech Republic. Only moderately faster growth of GDP was recorded compared with 2006; while the growth of gross domestic income speeded up notably. The terms of trade positive values resulted into the domestic work valuation in foreign markets and the real growth of gross domestic income advanced that of gross domestic product.

This favourable development contributed to strengthening the international economic position of the CR and also to reducing some imbalances in the national economy:

- Besides the labour productivity also the employment increased – its growth was comparable to that in 2006. The level of employment recorded its maximum for the last 11 years. Consequently, the unemployment was smoothly decreasing.
- External balance improved in both key parameters – the financial account surplus covered the current account balance of payment deficit whose proportion to the nominal GDP shrank as well.
- Internal imbalance was reduced as well due to significant shrinking of the state budget deficit in relation to the GDP at current prices.

Other important changes took place at the background of robust economic growth:

- The whole non-financial sector posted good results of financial management. Despite of gradual slow-down the industry maintained its high growth-rate over the year. Construction output increased like in 2006, however, the development over the year was erratic. Tertiary sector contributed notably to the real increase of GVA.
- On the demand side the growth was most contributed to by household consumption and gross fixed capital formation, in Q4 also by external trade. Contribution of household consumption, however, decreased over the year while the contribution of gross fixed capital formation was increasing.
- Due to more massive outflow of net primary income to abroad the gross disposable national income grew more slowly compared to the GDP.
- The rate of capital expenditure financing from domestic sources grew in value.
- Consumption expenditures of households exceeded the gross disposable income of households while their rate of savings dropped.

Money supply measured by M2 aggregate increased most rapidly over the last twelve years given the record growth of agro-economy. Value added production continued to require increasing amounts of money.

Over the year the terms of trade positive values continued to weaken. Food prices grew simultaneously with energy prices and along with increasing taxes and rentals they pushed the inflation up at the year-end.