

1. Summary

- Robust economic growth from the first three months of 2015 further accelerated according to the gross domestic product (GDP)¹ in Q2. Loose fiscal and monetary policy contributing to the improvement on the labour market, i.e. a fast drop of the unemployment rate and rising incomes, but also the strengthened investment activity, favourable result of foreign trade and continuing positive expectations on the side of households and firms upturned the performance of the Czech economy more than in Q1. The GDP growth increased from +4.0 % to +4.4 % in a year-on-year comparison and the domestic economy thus expanded in total by 4.2 % for the whole half-year. The growth was non-inflationary and – with respect to the state finances and external relations development – also balanced.
- All key demand items contributed to the high growth of the Czech economy in Q2, mostly however the final consumption expenditure of households and gross fixed capital formation (further only investment) which added similarly +1.5 p. p.² Contribution of change in inventories shrank to +0.7 p. p., the impact of final consumption expenditure of government did not change in comparison with Q1 (+0.5 p. p.). Result of the foreign trade also worked towards the growth of the Czech economy (+0.3 p. p.), for the first time after two quarters.
- The GDP increased by 1.0 % compared to Q1 2015, being driven mostly by investment (+3.5 %). This rate of growth was nevertheless significantly influenced by extraordinary factors (drawing on EU funds at the end of the program period, exceptional profits of companies mostly from year 2014). Total final consumption expenditure rose by 0.6 %.
- Performance according to the growth of gross value added (+3.8 % year-on-year in Q2), which was based on the available data the highest in the European Union, was to the largest extent with respect to dynamics affected by manufacturing (+7.0 %). Its contribution to the growth of the gross value added in the economy amounted to +1.8 p. p., the same as in case of services more significant by weight. The continuing favourable development in construction, following a long-time downturn, was also positively reflected in the performance of the Czech economy (+0.2 p. p.). Branches encompassing agriculture, forestry and fishing added +0.1 p. p., non-manufacturing industrial branches were mildly slowing down the growth on the contrary (-0.1 p. p.). Branches were also faring well in view of the business statistics. Retail sales rose in real terms year-on-year by 6 % for the half-year 2015, those for goods other than food by 7.6 %. Sales in services rose by 2.9 %, given that they increased only by 1.9 % in the same time period of 2014. Their growth was blanket (with the exception of the real estate activities, where the sales dropped by 0.2 %).
- The marked GDP growth did not cause the misalignment the Czech economy from the external balance. Record half-yearly surplus of the current account of the balance of payments in the amount of 95.8 bn crowns was influenced above all by a weaker outflow of dividends. The improvement in balance of secondary income together with large surplus on the capital account (83.3 bn crowns mostly thanks to the EU money) contributed positively, as well. In the result of it, surplus on current account, with surplus on the capital account together, were able to compensate in the large extent the deep deficit of the financial account. Opposed to the preceding years, the stagnating balance of goods and services did not strengthen surplus on current account.
- Total price level in the economy rose by 0.7 % year-on-year in Q2 2015, i.e. less than in Q1 (+1.3 %). Mostly the development of prices in foreign trade played a role in the deceleration of its growth (terms of trade were negative for the first time after nine quarters). Deflation of industrial producer prices weakened from -3.3 % to -2.3 %, growth of consumer prices mildly paced up (from +0.1 % to +0.7 %).
- Favourable development of the real economy was reflected on the labour market as well. General unemployment rate (for age category 15-64 years) arrived only at 5.1 % in June, despite still reaching 5.9 % in January. Number of job vacancies rose up to 97 thousand by the end of the half-year, even though the total employment (in the national accounts conception) strengthened in both quarters year-

¹ The data regarding the GDP and its components expressed in real terms and adjusted for seasonal and calendar effects, unless stated otherwise. The same applies for the gross value added.

² Contributions to GDP change not excluding the imports for final use.



on-year (+1.1 %, +1.4 %). Growth of the average nominal wage increased its pace to +3.4 % in Q2, the real wage rose by 2.7 %.

- Money supply rose faster than the nominal GDP (+5.8 % against +5.2 %) in the Czech economy year-on-year by the end of H1. However, its growth was not driven by the credit expansion to such extent as in the preceding long and strong boom of the Czech economy, though the rate of growth of credit to businesses and households went mildly up. Good financial condition of businesses and households enabled realization of financial operations, respectively financing of investment, largely from their own resources.
- State budget ended based on the cash fulfilment with a surplus in the amount of 22.6 bn crowns in H1, which represented 1.0 % of the nominal GDP. Completion of drawing of financial resources from the EU funds significantly contributed to the record positive balance, since the tax collection of the so called „large“ taxes (VAT, consumption tax) fell year-on-year.