

Introduction

The analysis focuses on the macroeconomic development achieved in 2005 in light of medium and long-term trends. International comparisons, giving the position of the Czech Republic, form an integral part of the analytical concept. The analytical framework identifies the main causes and effects of observed events and trends. The purpose is to specify similarities and differences in development in years 1996-2000, 2001-2005 and in 2005. The analysis is structured into four thematic areas – (i) External Economic Environment, (ii) Macroeconomic Performance, (iii) External and Internal Balance and (iv) Sustainable Development.

Regarding the development of the external economic environment attention is paid particularly to the phenomena that influence the performance of the Czech economy. These include namely the nature of business cycle development in the European Union, price development of oil and metals in world commodity markets and the trends of inflation and interest rates in foreign markets. Macroeconomic performance of the economy is assessed in relation to the development of elements, sources and conditions of economic growth. More detailed analyses apply to the specifics of development of gross fixed capital formation and indicators of competitiveness. Changes of the position of the Czech Republic in scope of international comparisons are identified by an analysis of nominal and real convergence processes.

Mapping of development of selected parameters of the internal and external balance aims to identify the level of stability and health of the economy. We use development indicators of the foreign trade balances and state budgets and of the level of accord of the offer and demand in the labour market. The review of long-term tendencies of key sustainable development indicators applies two approaches. The first one refers to contexts and balance of the economic, social and environmental developments. The second approach focuses on key factors of sustainability of the development in scope of the individual pillars. Indications of efficiency, balance and stability may amplify our information about the nature of the development sustainability. Pricing aspects of the economic development are included in all the main chapters of the analysis.

Time analysis of the Czech economy uses particularly databases of the Czech Statistical Office and also databases of the Czech National Bank, Ministry of Finance, Ministry of Labour and Social Affairs, Ministry of Environment, Ministry of Transport and of the Charles University. International comparisons use databases of Eurostat, OECD and IMF, created according to unified international standards. The analysis states data available as at 26 June 2006.