

Czech Statistical Office

The Czech Economy Development in the First Half of 2012

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Summary

- In the first half of 2012, global economic growth slowed. In particular, the manufacturing industry was responsible for the lost pace of global GDP. The European economy is not in recession but in Q2 2012 reported a year on year and quarter on quarter drop (more significant in the euro area than in the EU-27). The economy of the Czech Republic was affected by this by a slowdown of its current export pace, while imports suffered from weak domestic demand. In the fourth consecutive quarter, net exports have been the single positive contributor to the growth of the Czech economy, while final consumption expenditures and gross capital formation have decreased its performance.
- At the half year mark, the performance of the Czech Republic sank and in Q2 was decreasing three times faster than the EU economy. In Q2, the slump of domestic demand was two times deeper than the EU-27 average, while in Q1 it was four times deeper.
- In the first half of 2012, the GDP¹ of the Czech Republic decreased year on year by 0.8%, deepening the drop by 1% in Q2 against the year on year drop by 0.5% in Q1. In a quarter on quarter comparison, GDP was 0.2% lower than in Q1, in which extraordinary effects were responsible for the drop by 0.6%. The developments in Q2 were practically worse for all GDP expenditure items than they had been in Q1, with the exception of a more moderate drop in gross capital formation and an increase in the services imported. A significant quarter on quarter increase of investment was also affected by the comparative base.
- At the half year mark, the performance of industries based on gross value added stagnated, but in Q2 it recorded a drop of 0.3%. The manufacturing industry fared best in the first half of the year despite the fact that its increase by 5.7% in a year on year comparison (+10.5%) only reached half the value. Against the same period of 2011 (-5%) the half year slump in the construction industry (-9.9%) deepened. Apart from finance and the insurance industry, only public services where gross added value continued to grow and information and telecommunications activities which managed to dampen the previous drop, similar to the above-mentioned industry of financial services, were more successful in Q2 than in Q1.
- Employment in Q2 according to national accounting statistics posted growth due to an increase in entrepreneurs, while the number of employees decreased. The general level of unemployment remained in a year on year comparison at 6.8%, there were more job vacancies and their number exceeded 40,000. Real wages in business and non-business sectors sank by 0.7% at the half year mark.
- At the half year mark, the external economic relationships of the Czech Republic improved dramatically. The current account of balance of payments posted a surplus as a result of lower outflow of dividends and increased surplus of trade balance for which weak imports were

¹ Unless stated otherwise, the data on GDP and its components are given in real terms and adjusted for seasonal and calendar effects, including comparisons with the EU.

responsible. The inflow of direct investment was slightly lower in a year on year comparison. In Q2, the drop in the dynamics of export and import of goods deepened once again.

- Consumer prices continued to grow for the whole first half of the year faster than in the EU, driven by food prices, particularly in Q1. In Q2, their year on year growth recorded a moderate slowdown.
- The pace of loans provided to households posted yet another slowdown; after two quarters of increased growth, the dynamics of loans provided to companies once again decreased. Enterprises stocked up cash and deposits on current accounts, while increases of household deposits grew weaker.
- In a year on year comparison, the half year deficit of the state budget was deeper as result of the year on year drop of the most volume-relevant taxes, the collection of whose improved in the summer months.