

1. Summary

- The Gross domestic product (GDP) rose by 2.7% year-on-year in both quarters of year 2019¹. The consumption of households and government institutions still contributed the most to the growth. In contrast, the effect of the capital expenditure weakened. The foreign trade balance was positively reflected in the GDP growth especially in Q2. Improvement of surplus was rather caused by the slowdown of import, since the situation was worsening in foreign economies. The GDP growth was slackening in most EU countries, Germany even experienced a quarter-on-quarter fall. Domestic quarter-on-quarter GDP growth attained 0.7% in Q2.
- The Gross value added (GVA) increased by 2.8% year-on-year in Q2. The services branch contributed to the growth by a vast majority (2.3 p.p.), benefiting from the strong domestic demand. The GVA grew relatively strongly in the trade, transportation, accommodation and food service (3.8%). Information and communication also maintained a fast growth (8.9%). Manufacturing, the traditional driver of the Czech economic growth, on the contrary lagged behind. Its GVA increased by 1.2% year-on-year and its contribution to the growth comprised 0.3 p.p. Construction built on the last year with the GVA growth of 3.6%.
- Value of exported goods increased by 63.0 CZK bn (3.5%) year-on-year in H1 2019. The growth was caused mostly by the export of motor vehicles (+17.5 CZK bn) and computers, electronic and optical products (+10.2 bn). Value of imported goods enlarged by 45.4 CZK bn (2.6%) in H1. The resulting balance of trade with goods thus ended in surplus of 108.6 CZK bn, by 17.7 bn more compared to the same period of the last year.
- The total price level gauged by the GDP deflator increased by 3.5% year-on-year in Q2, representing the highest value since Q1 2009. Prices of consumption goods grew especially fast (3.8%), prices of capital goods then to a lesser extent (2.6%). Consumer price index increased by 2.8% year-on-year in Q2. Acceleration of the year-on-year growth of prices in the section of housing, water, energies and fuels continued. Food and non-alcoholic beverages also substantially contributed to the rise in the price level. Dynamics of the growth of prices of agricultural producers also strongly accelerated year-on-year to 11.0%.
- Year-on-year growth of the total employment² slowed to 0.8% in Q2. Employment remained unchanged compared to the preceding quarter. Services represented the cornerstone of the year-on-year growth of employment. Mainly the information and communication activities continued in dynamical development. Branches with the predominance of the sector of government institution, especially health and social care, also recorded an increase. The general unemployment rate was not falling significantly in Q2 and remained around the level of 2%. Year-on-year growth of the average gross nominal monthly wage of employees went down to 7.2% in Q2. The average wage thus climbed closely above 34 thousand CZK. In real terms, the average wage rose by 4.3%. The year-on-year dynamics was impacted by the swift growth of earnings in education, but also the slowing pace in manufacturing.
- The basic monetary policy-relevant interest rates were again raised in Q2. Client accounts had their conditions changed – interest rates mildly grew. Growth of the volume of the credit provided to households slowed down – for the consumer credit as well as mortgages. Even though the interest rates on credit were decreasing. Development of volume of credit provided to businesses copied the whole economy – growth markedly slackened in manufacturing, strong pace was maintained in case of information and communication.
- The state budget attained (based on the cash fulfilment) a deficit in the amount of 20.7 CZK bn within H1. The balance reflected a fast growth of some current outlays as well as investment activity. The growth of current outlays was markedly affected by the higher expenditure on social benefits year-on-year (+22 CZK bn, mostly the pensions) and by the wages in the regional education system (+13.7 bn). The investment activity also remained strong (+12.5 CZK bn). On the contrary, the state budget revenues grew

¹ Data regarding the GDP, gross value added and their components are expressed in constant prices and adjusted for seasonal and calendar effects.

² Employment data are in the national accounts conception adjusted for seasonal effects.



year-on-year less than in the previous years. Revenue growth was for the most part driven by higher incomes from taxes (incl. insurance) – the collection of VAT increased by 3.0%, income tax of natural persons from dependent activities by 13.3%. Non-tax and capital revenues also exerted a positive effect. State debt reached 1 712.6 CZK bn at the end of June and remained stable year-on-year.