

1. Summary

- Decrease of the CR Gross domestic product (GDP)¹ considerably slowed down to -1.3 % year-on-year in Q2 2013 following -2.4 % in Q1. In H1, it was by 1.9 % lower in comparison to the same period of 2012. Despite the aggregate fall of GDP, the Czech economy strengthened its stability especially within the external economic relations, where all the components of balance of payment featured no deficit. State finances depicted improvement in the imbalance as well. Also, the overall employment grew accompanied by the increasing impact of part-time employment.
- Notwithstanding the improvement, the rate of year-on-year fall in the CR in Q2 2013 (-1.3 %) was markedly deeper than the rate in the EU, where the economy stagnated. On the contrary, quarter-on-quarter growth of GDP was more favourable in the CR (+0.6 % compared to 0.4 % in the EU). The CR result was influenced by a rather weak comparative basis of the preceding quarter, which was negatively affected mostly by pre-stocking of tobacco products in the last quarter of year 2012. Also thanks to this displayed the Czech economy quarter-on-quarter growth in Q2 for the first time in six quarters. Only the data for the next quarter can indicate the direction of the subsequent development of the economy.
- Positive shifts in the structure of expenditure items of GDP from Q1 2013, when apart from the inventory formation all items of expenditures on GDP recorded quarter-on-quarter additions – expenditures on final consumption even for two quarters in a row – did not continue in Q2 2013 any longer. The moving force in the direction of positive development of the economy was thus in Q2 2013 only the foreign trade and a milder drop of the stock of inventories. Exports of goods and services rose compared to Q1 by 3.6 %, imports given the lasting weakness of domestic demand by 2.5 %.
- The Czech economy lacks investment. Year-on-year drop in the gross fixed capital formation by 6.2 % in Q2 2013 was the deepest in the last two years, since the investments had been decreasing constantly. Also the notable reduction in inventories led to a lower gross capital formation by 12.6 %. This fact does not signal any signs of near economic recovery, because companies are most likely not convinced about the strengthening of the demand.
- Final consumption expenditure grew year-on-year for the first time in eight quarters (+ 0.8 %). However, also here worked the effect of the comparative basis, as in Q2 2012 was their year-on-year decrease during the recession so far the deepest (-2.4 %). Foreign trade returned back to a year-on-year growth (exports of goods and services +2 %, imports +0.5%), while the development of prices in both Q1 and Q2 generated a business profit flowing from the terms of trade for the first time since year 2009.
- Development of GDP towards year-on-year growth moved in Q2 the result of foreign trade with a contribution of +1.2 p.p. and final consumption expenditure (+0.6 % p.p.). Nevertheless, decrease of capital formation (-3 p.p.) eliminated these favourable growth influences.
- Gross value added (GVA) in the Czech economy fell year-on-year in Q2 by 1.2 %. It was mainly due to the industry (-0.9 p.p.), further construction, agriculture and with the exception of financial and insurance activities (+0.8 p.p.) also all branches of market services. This list again proves the weakness of demand.
- Overall employment in the economy in the conception of national accounts grew year-on-year (+1.3 %) the strongest since the last quarter of 2008. The ability of economy to absorb new labour force was however connected to a change in the structure of jobs. Real wage in the economy in H1 2013 fell year-on-year by 1.3 % given the growth of average nominal monthly wage by 0.4 %.
- Aggregate price level in the economy was in Q2 2013 year-on-year higher by 1.4 %, similarly to the preceding quarter. The growth of prices for consumers (+1.5 %) slowed down and so did the industrial producer prices (+0.5 %). In construction, the deflation deepened given the fall of production by 12.8 %. Situation of this branch is one of the reasons behind the investment activity in the Czech economy being low in the long-term.
- In H1 2013, exports of motor vehicles increased year-on-year by 5.8 %, traditionally high surplus of this trade on the contrary fell. Direct investment inflow into the CR was above the average of the previous five years.
- Additions to loans to enterprises and households (+2.3 %) was year-on-year the second lowest since September 2010. It is the evidence of the lower need for the operational financing of firms for one thing and their prudence regarding the investment for another, and also a prudence of households (as well as

¹ Unless stated otherwise, data related to GDP and its components are considered in real terms and adjusted for seasonal and calendar effects.



banks) with respect to a new debt. Recovery is apparent in connection to provision of a non-bank credit. Growth of non-term deposits was accompanied by a drop of other deposits already for a third quarter in a row (-4.6 %).

- State budget deficit significantly improved in H1 2013 year-on-year to 31.5 bn. from 71.7 bn crowns (H1 2012), given a notable growth of revenues (+9 %) compared to expenditures (+0.9 %).