

1. Summary

- The Gross Domestic Product (GDP) increased by 2.3% in 2016. The economic expansion was supported mostly by the growing household final consumption expenditure. Equally, the growth of the positive foreign trade balance surplus, affected by the favourable economic development of the nearest business partners of the CR, played a role. The rate of the economic growth compared to the preceding year slowed down year-on-year. The high comparative basis of the year 2015, when the combination of one-off growth factors not recurring in 2016 manifested, was however the main reason. The investment activity, which featured a negative addition to the GDP growth in 2016 (-0.9 p.p.), was one of these factors.
- The gross value added (GVA) rose by 2.1% in 2016. Manufacturing played the most important role in the growth of the GVA, with its significance for the GVA growth deepening. Real estate activities also prospered and especially the agriculture, forestry and fishing, which enjoyed a strong GVA growth (by 9.5%) due to the contribution of a very good harvest. On the contrary, the performance of construction was slowing down during the year, its addition to the GVA growth in 2016 was negative in the value of -0.3 p.p.
- The Czech Republic attained a marked surplus of the current account of balance of payments in 2016, which resulted mostly from the exceptionally high positive balance of trade in goods and services. The value of exports was record high and reached 3312 CZK bn (even despite the slowdown of the export growth in the second half of the year). Strongly rising exports of motor vehicles were mainly behind this result, comprising 27.8% of exports from the CR.
- The price development was influenced by a drop of oil prices at the turn of the years 2015 and 2016. This was reflected in the consumer prices, with their growth staying below 0.6% in the first three quarters of the year, as well as the industrial producer prices, which were falling throughout the whole year on a year-on-year basis. The development of the food prices, which were notably decreasing in the first three quarters, was also determining for the consumer prices. The food prices were raised in the final quarter and the growth of consumer prices started nearing 2%. The prices of real estate hiked up markedly. The lack of price affordable dwellings together with the territorial mismatch between the supply and demand left its mark in the acceleration of growth of realised prices of older dwellings, which increased by 14.5% year-on-year in Q4 2016. The fall of prices of imported goods eased up and the period of imported deflationary pressures ended.
- Monetary conditions were to a large extent characterized by low interest rates and continuing regime of forex interventions in the CR. Interest rates on deposits kept further decreasing during the year 2016. The outflow of funds continued from the term deposits to the benefit of the current accounts. The volume of credit provided to households rose with the view to low interest rates and easy accessibility. The anticipated changes of rules for the provision of mortgagees fastened the increase of volume of these loans towards the end of the year.
- The labour market situation kept further improving in 2016. The rate of growth of total employment strengthened already a third year in row, reaching 1.8% last year¹. Manufacturing shared in the higher employment by more than 40%, however services were also advancing during the year. Record 5.32 mil persons were employed by the end of the last year. The proportion of businesses, which considered the lack of labour force as an important barrier to growth however also increased. General unemployment rate kept falling throughout the whole year and it arrived at 3.6% in December 2016. The supply of vacancies kept further expanding, professionals and qualified manual workers found employment the best. Favourable financial situation of businesses as well as the rising obstacles when searching for new employees pressed the nominal wages up. These grew by 4.2% last year, the most since the year 2008. Increase of the minimal wage together with the strengthening of earnings in the branches with the predominance of state were projected into 6.0% growth of the wage median in Q4 2016 and contributed thus to the lowering of the wage differentiation of employees. The real average wages grew despite strengthening inflation towards the end of the year by 3.5% for the whole year, i.e. by the highest rate of growth since 2007.
- State budget (SB) reached a positive balance of 61.8 CZK bn. The budget surplus was last achieved in the period of years 1993–1995. Both last year's SB income and expenditure were markedly influenced by irregularities in the drawing on funds from the EU budget. Expenditure of the SB on investment slumped by 52% year-on-year (by one quarter compared to the year 2014) and their share in the total budget expenditure dropped below 7%. The stable growth of the economy was mirrored in the higher collection especially of direct taxes, but also in the pension account deficit, which fell by nearly one half year-on-year. The state debt shrank by 3.6% for the last year (to 1613.4 CZK bn).

¹ Seasonally adjusted data in the national accounts conception.

