

# **The Czech Economy Development in Q1 to Q3 2005**

**14 December 2005**

## **Summary**

After a rapid growth in 2004 the economy further revved up its performance this year. High paces of GDP gains sustained during first three quarters 2005 in spite of its altered outlays structure. Foreign trade most contributed to the GDP increase on the demand side; however a considerable fall in negative influence of imports was a new side effect. Worsening of exchange relations resulted in loss of domestic labour at foreign markets and led to lower growth of gross domestic income than GDP. Increase of consumer expenditures favourably affected the GDP growth by one third in comparison to net exports decisive influence; drop in outlays had an adverse influence on the gross capital formation, although supplies formation was substantially lower on a year before. In spite of the fact that mineral fuels and energy marked up, consumer prices increased step by step, less moderately than the Czech National Bank prognosticated. Even though inflation fairly accelerated it is not a threat for the economy, as demand factors did not bring about consumer prices increase. Prices in exports substantially more dropped than those in imports (despite considerable strengthening of CZK at foreign currency market having been contributed by the higher GDP growth) much goods was exported than imported, what supported reduction of deficit of current account of balance of payments and an extent of external imbalance. Internal imbalance also attenuated; the unemployment rate somewhat dropped, however it remains on the high level. Result of state budget is regarded as better on a year before; there are some money factor constructively influencing. Domestic effective supply increased coverage of realized domestic demand. Growth of average wages outstripped the growth of total labour productivity. The nominal volume of total salaries and wages most contributed to the increase of gross disposable income of households as a source of covering of their final consumption expenditures leading to living the standard raise.