

1. Summary

- Gross domestic product (GDP) grew by 4.7% year-on-year in Q2 2017¹. Strong growth of the household consumption as well as the foreign trade balance supported quickening of the pace compared both to the previous quarter and the whole year 2016. The growth of the gross fixed capital expenditure also contributed. Quarter-on-quarter growth of the GDP attained 2.5%. Household consumption was supported by markedly expanding volume of paid out wages and it increased by 4.4% year-on-year. Growth of investment expenditure was concentrated into the sector of non-financial businesses. Year-on-year revival of expenditure on infrastructure projects also assisted the total growth of investment expenditure, however the investment activity of the government sector remained weak.
- Year-on-year growth of the gross value added (GVA) reached 4.7% in Q2 and increased by 1.7 p. p. compared to the preceding quarter. The strengthening of the services sector assisted this acceleration, with total contribution to the GVA growth of 2.2 p. p. The role of manufacturing also kept staying strong. The manufacturing of motor vehicles incl. the subcontractor fields prospered. Output of machinery also increased, the renewal of production capacities of the chemical industry also had a positive effect. Expanding disposable incomes of households was reflected in the strong growth of retail sales for non-food goods (+9.4%) in Q2, which was the fourth largest among the EU states.
- Current account of the balance of payments was in surplus also in H1 2017, especially thanks to the marked surplus of the balance with goods and services. The significant outflow of incomes from investment worked in the direction of deficit, reaching 143.7 bn in H1. The value of export in the national conception increased by 111.0 CZK bn year-on-year and reached 1 796.9 CZK bn. Traditionally, motor vehicles participated to the major extent on the export, the export of machinery and equipment however also fared well. The value of import, which expanded by 118.1 CZK bn year-on-year, was also affected by raised price of oil and natural gas year-on-year. This was mirrored in the results of trade with countries outside the EU, mostly Russia.
- Despite not experiencing further acceleration, the price growth continued in Q2. Consumer prices were thus raised by 2.2% year-on-year. Acceleration of the prices of food was the main contributor on the contrary the prices of oil and transportation did not feature such fast growth as in the previous quarter. Prices of housing and energies went also mildly up year-on-year. Year-on-year producer prices also slowed down in Q2. Prices of agricultural prices represented the exception, growing by 11.3% year-on-year in Q2. It constituted the first year-on-year growth since the end of year 2015. Especially the animal production was behind this growth, nevertheless the prices of plant production, having been falling since Q2 2016, also increased.
- A significant change occurred in the area of the monetary policy in Q2, specifically the ending of the exchange rate commitment. As expected, the gradual strengthening of the koruna exchange rate followed. It did not however break through the limit of 26 crowns per euro. Monetary-policy rates have remained at constant level so far. The fall of the interbank rates however halted and partially also that of the government bonds' yields. Low interest rates continued to motivate the households as well as firms to the credit financing.
- The situation kept further improving on the labour market. The pace of growth of the total employment² did not ease up, the number of workers increased by 1.4% year-on-year. The tertiary sector was contributing still more to the higher employment, where especially the professional, scientific, technical and administrative activities fared well. The self-employed also contributed to the growth of the total number of workers similarly to year 2016. The creation of new jobs markedly accelerated during H1, the job offices registered 183.5 thousand vacancies at the end of June. 1.6 job applicants were assigned to one vacancy – the least since the half of nineties. The general unemployment rate lowered to record 2.9% based on the seasonally adjusted data in June. Favourable financial situation of firms as well as the rising difficulties to find new workers pushed further the raising of wages. Those accelerated to 7.6% in Q2, their nominal year-on-year growth neared the dynamics of the peak phase in the last decade. The slight fall of the wage differentiation continued. The purchasing power of wages grew despite the strengthening inflation. Real wages rose to 5.3% in Q2, the most since the beginning of year 2007.

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

² Seasonally adjusted data in the national accounts conception.



- The state budget (SB) ended (based on the data of the MF on the cash fulfilment) in mild surplus in the amount of 4.6 CZK bn in H1. Income as well expenditure of the SB were notably affected by the irregularities in the drawing on the funds from the EU budget similarly as in the whole previous year. Income from the EU budget dropped by nearly 60%. The slow run up of the drawing on European funds was reflected in the low volume of all capital expenditure, whose proportion on the total SB expenditure amounted only to 3.2%. The total tax revenues (incl. insurance) of the SB strengthened mostly thanks to the economic growth by 8.2%. The pension account deficit has been shrinking for the sixth year in a row, and it reached 6.8 CZK bn in H1. The total size of the state debt stabilized following a strong increase in Q1 (by 10.9%) in the subsequent quarter of the year.