

1. Summary

- The year-on-year growth of the Gross domestic product (GDP) slowed to 3.7%¹ in Q2 2022. It is a consequence of significantly weaker year-on-year growth of the domestic consumption, which is currently being hindered by the real decline of household income. The influence of low comparative basis of the preceding year also stopped strengthening the year-on-year GDP dynamics, since the pandemic restrictions already ceased to be in place in the last year's Q2. The gross capital formation contributed to the year-on-year GDP growth the most, mainly thanks to the growth of the inventory stock. The foreign demand was in contrast crimping the GDP growth. Quarter-on-quarter, the GDP increased by 0.5% and again the gross capital formation supported the dynamics the most. The consumption mildly fell quarter-on-quarter. The CR ranked among the group of countries with below average growth of the GDP within the EU. The total year-on-year GDP increase reached 4.2% in the EU in Q2 and quarter-on-quarter the GDP went up by 0.7%.
- The Gross value added (GVA) rose by 3.4% in Q2 year-on-year. The GVA increased in the majority of branches except for agriculture, forestry and fishing compared to the last year. Especially the services thrived – the GVA grew for other service activities, in the group trade, transportation, accommodation and food service or in information and communication. Construction also markedly grew year-on-year. The GVA was again moderately rising in manufacturing following two year-on-year decreases. Quarter-on-quarter, the GVA went up in total by 0.5%. Many branches of services, especially professional, scientific, technical and administrative activities or information and communication recorded a considerable revival of the GVA. The GVA also slightly increased in manufacturing.
- Export of goods and services rose by 1.8%² in real terms year-on-year in Q2 2022. However, the import still grew faster and increased by 2.7%. The resulting balance fell into the deficit for the first time since Q2 2004, which amounted to 25.8 CZK bn. It represented a year-on-year worsening by 77.3 bn. Nevertheless, solely the balance of trade with goods was deteriorating, on the contrary the positive balance rose for services. The trade with oil and natural gas, basic metals and coke and refined oil products affected by the increased prices the most contributed to the year-on-year worsening of the trade with goods balance in Q2. The balance of trade with motor vehicles on the contrary again improved year-on-year after four quarters of slumps and the trade with electricity also had a favourable effect.
- The year-on-year growth of the total price level (based on the GDP deflator) accelerated to 6.6% in Q2. It is the most since Q3 1998. The price level increased by 2.0% quarter-on-quarter. Further, the year-on-year increase of the consumer prices sharply hiked up to 15.8%. The year-on-year price growth accelerated in the majority of consumer basket divisions, but food, non-alcoholic beverages, housing and energies had the largest effect on the acceleration of the total price growth. Those together with the prices of transportation shared the most on the total year-on-year addition. Industrial producer prices in the CR increased by 27.7% year-on-year in Q2 and by 7.8% quarter-on-quarter.
- Also the monetary policy-relevant rates were raised in Q2 2022. Subsequently the client rates on the term deposits increased and the credit financing became more expensive for both households and businesses. The notable spill over of funds from the current accounts to the term deposits thus continued.
- The recovery of the labour market continued in Q2. Total employment³ expanded by 2.5% year-on-year in Q2 and by 1.6% quarter-on-quarter. At the same time both employees and entrepreneurs participated on the employment growth. The expectations of entrepreneurs were gradually slightly worsening in the course of this year. The general unemployment rate arrived at 2.3% in this year's July. It mildly decreased and was falling more briskly for males rather than females. The average gross monthly nominal wage climbed up to 40 086 CZK in Q2. Its year-on-year growth eased pace to 4.4%, but it can be for the large part ascribed to the slump in the branch health and social care, whose development fundamentally reflected the pay out of extraordinary bonuses last year in spring. The wage increased after seasonal adjustment by 1.3% quarter-on-quarter. In real terms, the average wage was by 9.8% lower year-on-year and the purchasing power fell for employees in all branches.

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

² According to the methodology of quarterly national accounts (export and import in FOB/FOB prices).

³ Employment data are in the national accounts conception and adjusted for seasonal effects.



- State budget ended in deficit of 183 CZK bn in H1 2022. The negative balance was lower in comparison to the same period of both years 2020 and 2021. The pressure on the extraordinary expenditures connected to the termination of counter pandemic restrictions loosened and simultaneously the economy kept further recovering. The unprecedented strong price growth as well as the need for unforeseen expenditures associated with the refugee wave from Ukraine however led to a significant quarter-on-quarter deepening of the budget deficit. The total tax income exceeded the level of the comparable period before the onset of pandemics this year in H1.

Selected Key Indicators of the Economic Development*

Indicator	Unit	2021			2022		Whole year	
		2q	3q	4q	1q	2q	2020	2021
Economic Performance								
Gross Domestic Product in the CR ¹	y/y, in %	9,1	3,8	3,5	4,6	3,7	-5,5	3,5
	q/q, in %	1,4	1,7	0,8	0,6	0,5	x	x
Gross Domestic Product in the EU ¹	y/y, in %	14,0	4,1	5,0	5,5	4,0	-5,9	5,4
Final consumption expenditure ¹	y/y, in %	6,4	4,9	5,5	6,1	0,7	-3,9	3,2
Gross fixed capital formation ¹	y/y, in %	-0,3	3,1	3,9	6,9	6,2	-6,0	0,6
Exports of goods and services ^{1,3}	y/y, in %	33,1	-0,2	-3,9	0,4	1,8	-8,1	6,8
Imports of goods and services ^{1,3}	y/y, in %	34,5	10,3	6,0	5,1	2,7	-8,2	13,2
Balance of foreign trade ^{2,3}	in CZK bn	51,4	16,6	16,1	2,9	-25,8	385,6	179,3
Balance of economic sentiment indicator ⁴	in p.p.	12,4	4,5	3,3	4,4	6,3	-3,4	3,3
Performance in Main Branches								
Industrial production ⁴	y/y, in %	28,3	-0,1	-1,9	-0,4	-0,1	-7,2	6,6
Construction production ⁴	y/y, in %	4,3	2,7	5,2	9,9	3,0	-6,2	2,4
Sales in services ⁴	y/y, in %	14,8	9,8	12,7	13,1	12,1	-11,8	7,5
Sales in retail trade ⁴	y/y, in %	7,3	3,9	6,2	6,4	-3,0	-0,9	4,4
Prices								
Consumer price index	y/y, in %	2,9	4,1	6,1	11,2	15,8	3,2	3,8
HICP in the CR	y/y, in %	2,8	3,3	5,0	10,2	15,0	3,3	3,3
HICP in the EU	y/y, in %	2,2	3,1	4,9	6,5	8,8	0,7	2,9
Agricultural producer prices	y/y, in %	3,8	7,1	15,7	23,9	39,0	-3,3	6,3
Industrial producer prices	y/y, in %	5,3	9,0	12,8	21,8	27,7	0,2	7,2
Service producer prices in the bus. sph.	y/y, in %	1,0	1,3	1,8	4,2	5,8	2,2	1,4
Terms of trade in trade with goods	in %	99,5	99,3	97,9	96,4	95,9	102,2	99,7
Labour Market								
Total employed in the CR ³	y/y, in %	0,4	0,9	1,7	1,5	2,5	-1,7	0,4
General unemployment rate in the CR ⁵	in %	3,0	2,7	2,3	2,4	2,5	2,6	2,8
General unemployment rate in the EU ⁵	in %	7,2	6,9	6,5	6,2	6,1	7,2	7,0
Average employee wage (nominal)	y/y, in %	10,1	4,4	2,9	7,3	4,4	4,6	4,8
Average employee wage (real)	y/y, in %	7,0	0,3	-3,0	-3,5	-9,8	1,4	1,0
Monetary Conditions								
Two week repo rate ⁶	in %	0,50	0,75	3,75	4,50	7,00	0,25	3,75
Exchange rate CZK/EUR		25,6	25,5	25,4	24,7	24,6	26,4	25,6
Exchange rate CZK/USD		21,3	21,6	22,2	22,0	23,2	23,2	21,7
State Budget⁷								
State budget balance in the CR	in CZK bn	-140	-61	-93	-59	-124	-367	-420
State debt ⁶	in CZK bn	2 416	2 334	2 466	2 594	2 708	2 050	2 466

Data source: CZSO, CNB, MF, Eurostat

* Unless stated otherwise, data relate to the CR.

¹ data adjusted for seasonal and calendar effects in constant prices² data adjusted for seasonal and calendar effects in current prices³ in the national account conception, in natural persons⁴ adjusted for seasonal effects⁵ seasonally adjusted, age group 15 – 74 years⁶ balance at the end of period⁷ based on treasury fulfilment