

Summary

- Year 2012 presented for the Czech Republic a continuation of the economic recession phase, which began already in the last quarter of 2011. With an average growth of the Czech economy during the period 2003-2011 in real terms by 3.4 % annually – but also with an average growth per years 2010-2011 by 2.2 % -, contrasted its year-on-year fall in 2012 by 1.2 %. All expenditure components of GDP were decreasing, except for results of flows of goods and services with abroad. Net disposable income of households, as a source of their consumption expenditure – which is a main expenditure component of GDP -, although growing in nominal terms as opposed to year 2011, in real terms its fall in 2012 further deepened to -2.4 % from -1.3 % in 2010 and -2.1 % in year 2011. Proportion of population at risk of income poverty was however in 2012 year-on-year mildly lower, when there existed 9.6 % of the CR population at risk of income poverty compared to 9.8 % in 2011.
- In light of the long-term view, during the 2003-2012 decade, the main sources of GDP growth were intensive growth factors, according to the analysis of contribution of the total productivity of production factors. They played the main role also in the development of the CR GDP in 2012 – contribution of the labour productivity fell to zero and the productivity of capital contributed to the decrease of GDP by a negative 1.5 percentage point (p.p.). Lowering of the stock of labour the slump of GDP in 2012 deepened, the growth of stock of capital subdued it.
- Recession of the Czech economy in 2012 was the main cause of continuation of divergence of the CR from the average economic and currency Union in Europe, which commenced in 2010. GDP per capita in purchasing power parity (units of PPS) reached in 2012 in the CR according to the Eurostat data 79 % of EU 27 average and 72.5 % of the group of „old“ Union countries average (EU 15). Moving away from the average economic development of the EU recorded for years 2010-2012 apart from the CR also Slovenia, Netherlands and six countries of South Europe. In nominal convergence, i.e. the fulfilment of criteria set by the Maastricht Treaty, the CR in 2012 in comparison to the previous years worsened, when it did not succeed in reaching the limit for two criteria – required size of government sector deficit to GDP (4.4 % against the limit of 3 %) and also the inflation criterion.
- Regions of the CR in the aggregate without the capital city Prague converged during the years 2002-2011 to the average level of EU 27 – GDP per capita in PPS rose by 7.1 p.p. to 69 % of EU average, in Prague then by 24 p.p. to 169 % of EU average, with Prague starting to divert already from year 2009 (from 175 % in 2008). Significant disproportion between the development of Prague and other regions as a whole weakened.
- Incomes per capita (based on net disposable income of households) in nominal terms were hit by the post-crisis development more strongly, in comparison to the development of the whole economy. However, during the period 2002-2011 they increased by 43 % (in years 1995-2011 by 134 %), in Prague by 33 % and 154 % resp. The strongest growth of these incomes was thus observable in the second half of 90s. The highest additions were in years 2002-2011 recorded in the Moravian-Silesian region and Central Bohemia. In 2010 these incomes fell in nine regions of the CR, in 2011 in further four regions. The decrease avoided in both years only the Pilsen region.
- There was in 2011 15.3 % of the CR population at risk of income poverty or social exclusion – the income poverty itself 9.8 % -, i.e. the least out of EU countries. Values in Prague and Central Bohemia (9.1 % and 9.6 % resp.) were completely the lowest among NUTS 2 regions in the whole EU. Even the highest values in the CR (Northwest 24.6 %, Moravia-Silesia 22 %) were however more favourable compared to for example data for the whole Italy or Ireland. Materially deprived according to the SILC¹ parameters were in 2011 in the CR 6.1 % of population (12th place in the EU ranking), people living in households with low intensity of work 6.6 % (3rd place in the EU).
- Explanation of lower endangerment of income poverty in 2012 for the CR as a whole (9.6 % of population) compared to year 2011 (9.8 %) lies in the seemingly small changes in the area of social and tax system, which had however a large impact on the income distribution of households in the CR and consequently also on the development of the rate of at risk of income poverty (adjustment of pensions to 1st January 2011 shifted households of non-working retirees in the income distribution closer to the median value), from the opposite side of the income spectrum then had an effect the so-called „flood taxes“ in the form of lowering of tax discount per taxpayer – it concerned the most working persons of the so-called „middle class“ with incomes close to the median value, whose incomes did not grow as much.

¹ European survey of living conditions in households.

- Aggregate price level in the economy in 2012 increased year-on-year by 1.4 % especially due to the VAT increase and continuing growth of import prices. Consumer prices (in the form of harmonised index of consumer prices) climbed up in 2012 by 3.5 %, which represented the fifth highest growth of prices in the whole EU. Still, the price stability in the CR was during the period 2003-2012 more favourable in comparison to the EU as a whole.
- Macroeconomic balance was characterised in 2012 by worsening of the government institution sector deficit to 4.4 % of nominal GDP (from 3.3 % in 2011). Disregarding the exceptional impact of returning of property to the Church the deficit would have amounted to 2.5 % of GDP, i.e. less than the limit of convergence criterion. Gross consolidated debt of the government sector rose year-on-year by 5 p.p. to 45.8 % of GDP and was the eighth lowest in the EU. When including the private debt (loans to firms and households), the indebtedness of the CR arrived in 2012 at 119 % of GDP, which was the third best ratio in the EU. Results of the economic relations of the CR with abroad improved already second year in a row and the deficit of the current account of balance of payment (2.5 % of GDP) was more favourable compared to the average of years 2003-2012. Regarding the balance of productivity and real wage development, in 2012 there was in both cases obvious a year-on-year decrease by 0.6 %. Deep imbalance on the labour market, characterised by the low number of jobs accompanied by a strong demand according to the number of job applicants, existing roughly since the half of 2009, continued also in 2012. In this year still, in spite of the recession grew the employment rate, mainly due to the higher use of part-time employment.
- Nonfinancial corporations – composing nearly two thirds of value added as well as investment in the Czech economy and providing jobs nearly to three fifths of employed persons – developed between years 2010-2012 more favourably than other institutional sectors of the CR economy. Their share on the aggregate value of fixed investment, on creation of savings and net worth of Czech economy increased. For the cost of labour their share remained on the level of year 2008, the level of value added of this year however this sector in 2012 did not reach. Its growth is pushed in the long-term mostly by the manufacturing industry (with the exception of the end of 90s, year 2001 and year 2012). Industry and services displayed in years 2009-2011 deepening of differences in the individual branches in the value of labour productivity.
- Crisis in 2009 hit the sector of non-financial corporations in the CR by the full force – gross value added fell year-on-year the most among all sectors (-6.3 %). Slump was compensated by the decrease of employment (-4 %), by one sixth lower fixed investment; stocks of inventories decreased by record 41 bn crowns. Also in years 2010-2012 the businesses faced a falling margin rate, size of cost of wages, halting of investment. However, they managed to repay the previous loans and somewhat lower the share of loans in default. In the period of post-crisis stabilisation, the rate of indebtedness of these businesses did not grow. In the long-term the dominant position of foreign controlled corporations prevails (one third of jobs, higher rate of return, profitability, productivity and lower cost of labour). Given phase of foreign direct investment cycle however at the same time also means a strong repatriation of profits.
- According to the selected factors of competitiveness the position of the CR in 2012 worsened due to the fall of proportion of exports of goods and services on the world exports (for the first time since the start of monitoring in 1994). Growth of real unit labour cost in 2012 compared year 2003 was the fifth fastest in the EU, which indicates a not very favourable development of cost competitiveness. In the support of sophisticated activities however, the CR accelerated the convergence to the EU average, if we consider relation of expenditure on research and development to GDP (1.84 % against 2.03 % in the EU in 2012, 1.15 % in the CR against 1.88 % in the EU in 2002).
- Analysis of the demographic development in the CR showed, that despite increasing the life expectancy at birth in the CR still does not reach the average European level. We also belong among countries with low fertility according to the indicator of total fertility rate of 1.45 child per one woman against 1.57 in EU average, where the indicator is being pushed up mostly by the states of West and North Europe (approximately two children are on average born to women in Sweden, Great Britain, on Iceland and the most in Ireland).
- In line with the European trend occurs in the CR the increase in the age of mother at the time of birth of the first child and on the other also to the growth of share of children born outside marriage (39.5 % on average for EU in year 2011 against 41.8 % in the CR, in 2012 already 43.4 %). Similar to majority of states of Europe is in the CR also the trend of lowering of the number of entered marriages and their postponement until later years of age (in the CR started only after year 1990, in North and West Europe already in the 70s). Until year 2008 was the crude marriage rate in the CR higher compared to the EU, afterwards decreased to the European average. To the historically lowest value fell the so called first marriage rate – while still in the 80s would until their 50 years of age marry at least once approximately 90 % of males and 96 % of females (and in the preceding decades even more), in 2012 would it be under

current conditions remaining unchanged (giving the current level of nuptiality, death rate and migration) already only 53 % of males and 61 % of females.

- Overall population growth in the CR significantly slows down from year 2008 and in 2012 was sustained only thanks to migration (number of live births only very slightly exceeded the number of deaths). In years 2007-2010 was in the CR the rate of natural increase of population approximately the same as in the EU, i.e. +1 ‰, but in 2011 fell to 0.2 ‰. Share of foreigners on the CR population since year 1998 doubled to 4 % in 2012. The most foreigners in the CR come from Ukraine (28 %), Slovakia (19 %) and Vietnam (14 %). In 2012 had the CR the highest migration balance with Slovakia, although the highest number of immigrants arrived from Ukraine. Czech citizens moving abroad were more than those who returned. Illegal stays of citizens of countries outside the EU remain in the CR from year 2008 with respect to number of persons approximately the same (around three thousand), while in 2012 nearly one third of such immigrants came from Ukraine.
- Population of Europe as well as the CR ages – age median in 2012 was in the EU 41.8 years of age, in the CR 40.1 years of age -, because the share of children on total population is falling (in the CR 14.7 %, in the EU 15.6 %) and simultaneously increases the share of persons at the age above 65 years (in the CR 16.2 %, EU 17.8 %). Relation of economically active and economically inactive population was in 2012 in the CR relatively favourable (100:45 based on index of economic dependency, in the EU 100:50). Low level of fertility will however this share significantly worsen in the future (in 2060 in the CR approximately to 100:79, in the EU to 100:78) and multiplies thus among other also the issue with the sustainability of public finances.