

# Economic and social development of the Czech Republic in the 3<sup>rd</sup> quarter of 2005

(Preliminary figures)

**Gross domestic product** at constant prices<sup>1</sup> is estimated to have grown by 4.9% y-o-y in Q3 2005 (+5.0% in Q1 2005 and +5.2% in Q2 2005 according to a revised estimate). In comparison to the preceding quarter, seasonally adjusted (SA) and working days adjusted (WDA) GDP increased by 1.0%. External trade and final consumption expenditure contributed most to the growth of GDP. **External trade** in goods and services recorded a more dynamic development for exports (+10.9%) than for imports (+6.1%), all at constant prices. It was the positive effect of net exports that was essential for GDP growth. In total for Q1-Q3 2005, GDP was up by 5.0% y-o-y.

**Gross fixed capital formation** decreased its dynamics of growth to 3.2% y-o-y (+5.0% in Q3 2004). SA and WDA GFCF increased by 0.8% quarter-on-quarter. Gross fixed capital formation broken down by type of goods, the share of investment in transport equipment and in buildings and constructions (except for dwellings) grew on the one hand, on the other hand the share of investment in machinery equipment and in housing construction dropped. Change in inventories, compared to Q3 2004, made up roughly a quarter.

**Total final consumption expenditure** rose by 3.8% at constant prices in Q3 2005 (+1.0% q-o-q). Final household consumption expenditure increased by 2.9% (+0.6% q-o-q). The highest growth was reported for expenditure on household equipment and on transport. General government expenditure was up by 6.1% at constant prices (+1.8% on q-o-q), affected by import of the second group of aircraft Jas-39 Gripen.

Due to a moderate increase in tax on products (+0.4%) and a decrease in subsidy on products (-11.1%), **gross value added** grew by 5.2% y-o-y at constant prices, i.e. more than GDP. CZ-NACE activities with the best results were trade (GVA +8.8%), manufacturing (+8.7%), and real estate, renting and business activities (+7.3%). The y-o-y slowdown of GDP growth in Q3 2005 was particularly contributed to by the development of agriculture where a decrease in gross value added of 10.2% pushed GDP growth down by 0.5 percentage points. Below the Q3 2004 level was also gross value added in mining and quarrying (-21.9%) and in hotels and restaurants (-8.7%).

In consequence of a higher y-o-y decrease in total export prices than in total import prices and thus deterioration of terms of trade by 2.5 percentage points, national work suffered a loss of CZK 16.3 billion in external markets which led to a lower growth of **gross domestic income** (+2.9% at constant prices) than of GDP.

Total nominal current income of the **household sector** rose by 5.2% and current expenditure by 8.5%. Gross disposable income grew by 3.8% y-o-y at current prices. Individual household consumption expenditure went up by 4.4%, i.e. faster than disposable income. Gross household saving decreased by 4.5% in Q3 2005 and its rate 5.67% (percentage of gross saving in disposable income) was by 0.49 percentage points lower y-o-y.

**Total labour productivity** (GDP at constant prices per worker<sup>2</sup>) was up by 4.1% y-o-y in Q3 2005 and had a significant effect on GDP growth.

## Key economic characteristics

	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2003 to Q3 2004	Year 2004	Q2 2004 to Q1 2005	Q3 2004 to Q2 2005	Q4 2004 to Q3 2005
GDP, y-o-y change (constant prices)	4.9	5.0	5.0	5.2	4.9	4.3	4.7	4.9	5.0	5.0
Final consumption, y-o-y change (constant prices)	1.1	0.7	0.2	2.2	3.8	2.3	1.5	1.3	1.3	2.0
Gross capital formation, y-o-y change (constant prices)	8.2	2.8	-2.6	-3.8	-3.9	7.8	7.9	4.7	1.0	-2.1
Inflation rate, y-o-y, average	3.2	3.1	1.6	1.6	1.9	2.2	2.8	2.6	2.4	2.0
Registered unemployment rate, average	9.14	9.03	9.64	8.84	8.81	.	9.19	9.21	9.17	9.08
State budget balance / GDP ratio, % <sup>1)</sup>	1.3	-7.6	1.2	-0.6	3.0	-2.6	-3.4	-2.8	-1.4	-1.0
Current account / GDP ratio, % <sup>1)</sup>	-7.9	-5.1	2.8	-4.2	-4.4	-6.4	-5.2	-3.9	-3.7	-2.8
Financial account / GDP ratio, % <sup>1)</sup>	7.7	10.8	-1.6	13.6	4.4	6.3	6.5	5.9	7.8	6.9
Net exports / GDP ratio, % <sup>1)</sup>	-0.7	-1.3	4.5	2.7	0.6	-1.3	-0.5	0.5	1.3	1.6

<sup>1)</sup> At current prices

Sources: CZSO, Ministry of Finance, Ministry of Labour and Social Affairs, Czech National Bank; calculations by CZSO

<sup>1</sup> The GDP indices and GDP components indices are at average prices of the preceding year; the sales indices in individual CZ-NACE activities are at constant prices of 2000.

<sup>2</sup> According to employment data from the national accounts.

**Industrial production** (measured by the industrial production index) grew by 7.6% in comparison to Q3 2004. The fastest growth was recorded in production of intermediate goods (+15.2%). Within manufacturing, the highest rates of growth were reached in 'manufacture of transport equipment' and 'manufacture of coke and refined petroleum products'. On the decrease were 'manufacture of basic metals and fabricated metal products', 'manufacture of textiles and textile products' and 'manufacture of leather and leather products'.

**Sales** of own goods and services at constant prices grew by 6.6% y-o-y. Employment remained at the level of Q3 2004 and increased markedly only in foreign-controlled enterprises. Labour productivity rose more than average wages, which resulted in lower unit wage costs by 1.4%. Book value added (at current prices) went up by 1.7%.

**Electricity** generation dropped by 4.3% y-o-y under concurrent increase in domestic consumption. The fall in production resulted from a nearly one-quarter decrease in electricity generation in nuclear power stations and led to higher imports. In spite of that, exports in Q3 2005 were higher than imports. Imports of **natural gas** were up by 0.8% and consumption declined considerably. Imports of **crude petroleum** (in tonnes) were by 17.5% higher than in Q3 2004.

*In October, industrial production grew by 6.3% y-o-y.*

The volume of **construction output** rose by 7.3% y-o-y, particularly due to work on new construction, reconstruction and modernisation (mainly highway projects). **Construction work carried out by own workers** (construction put in place in enterprises with 20+ employees) rose by 12.5%.

**Sales** of own goods and services (based predominantly on construction activity) were up by 8.0% y-o-y. The number of employees in construction continued growing (+1.3%), and average wages grew less than labour productivity. Unit wage costs thus dropped by 1.0% y-o-y. The volume of output, intermediate consumption and book value added in construction enterprises rose by roughly a tenth at current prices.

The volume and number of **construction orders** were up in Q3 2005, while their average size fell. Planning and building control authorities granted by 3.6% fewer **building permits** than in Q3 2004 under growing approximate value of permitted constructions.

In **housing construction**, the number of started dwellings was up by more than a quarter (being 12.3 thousand, i.e. most since 1999). The number of completed dwellings grew too (+8.0%).

*In October, construction output rose by 13.8% y-o-y.*

The sales of own goods and services in **agriculture** fell by 10.7% y-o-y at current prices and by 2.0% at constant prices. This unfavourable result is attributable to lower plant production and lower agricultural producer prices. The number of employees in holdings of agricultural primary production continued decreasing. As labour productivity rose less than average wages, unit wage costs increased by 2.9%. As to financial data, the decline in output caused a considerable decrease in book value added (-32.6%). Populations of all kinds of farm animals kept falling. Sales of cattle for slaughter and pigs were down, whereas sale of poultry for slaughter grew. According to a **harvest estimate taken on 15 October**, production of cereals should be 8.1% down on 2004, production of potatoes a fifth up, and production of sugar beet 4.8% down.

Total **retail sales, incl. the automotive segment**, rose by 3.6% y-o-y at constant prices. The dynamics of growing sales in retail trade and in the automotive segment were almost the same. Sales in retail trade grew most in large enterprises (with 100-249 employees), 41% of them are foreign-controlled. Sales in **hotels and restaurants** dropped by 3.5% at constant prices, particularly owing to a higher VAT rate for restaurants. The number of employees and workers in **trade total** rose y-o-y, and so did the labour productivity. Book value added (at current prices) in trade grew by 2.8%.

*In October, retail sales grew by 2.8% y-o-y.*

In the framework of **international tourism**, the trend of increasing numbers of foreign visitors continued. According to the border statistics, 29.5 million persons came to the Czech Republic in Q3 2005, which was by 7.7% more y-o-y. Departures of Czech residents abroad dropped by 1.8%. The slowdown in the growth of numbers of guests in collective accommodation establishments was connected with a lower number of overnight stays. The active balance of international tourism stood at CZK 12.4 billion (CZK 12.2 billion in Q3 2004).

The growth of sales of own goods and services in **transport** accelerated to 3.7% y-o-y, in particular thanks to a high rise in land transport and 'transport via pipelines' by 9.3%. On the other hand, sales in 'supporting and auxiliary transport activities' were down by 4.5%. The number of employees in transport dropped, their labour productivity grew but less than wages. Book value added (at current prices) increased by 1.0%. Compared to Q3 2004, goods carried in freight transport fell in both rail and road transport in spite of the fact that third countries' transport incl. transit over the territory of the Czech Republic reported a nearly twice as high figure.

Sales in **communications** rose by 9.7%. Employment slightly decreased and labour productivity was up by more than 10% but less than wages. Book value added (at current prices) grew by 7.4%.

**Financial intermediation** (excl. the Czech National Bank) reached by nearly a third higher gross profit than in Q3 2004. Its highest increase (to more than quintuple) was recorded, like in Q2 2005, in investment companies and funds. Banks and savings banks (excl. the CNB) raised their economic result by 21.8% and pension funds by 29.3%; only insurance companies recorded a decrease.

Sales in **other market services** were up by 5.8% in Q3 2005, increases being in both inter-enterprise services and in services provided predominantly to the population. Among inter-enterprise services, mainly sales in 'renting of machinery and equipment' and 'computer and related services' grew. Among services provided predominantly to the population, sales in education increased considerably. Employment was up by 2.8%; growth of the average monthly nominal wage was nearly twice as high as increase in labour productivity (sales per worker). Book value added produced (at current prices) was by 13.9% higher y-o-y.

#### Trend of sales<sup>\*)</sup> in chosen CZ-NACE activities

Y-o-y indices (%)

CZ-NACE activity		Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2003 to Q3 2004	Year 2004	Q2 2004 to Q1 2005	Q3 2004 to Q2 2005	Q4 2004 to Q3 2005
Industry (CZ-NACE 10-41)	Current prices	112.6	114.1	108.1	109.5	108.0	111.8	113.5	112.9	111.0	109.9
	Constant prices	104.5	105.4	101.2	105.2	106.6	107.8	107.4	105.5	104.0	104.6
Construction	Current prices	103.2	105.1	103.7	102.0	110.7	111.5	108.3	107.7	103.5	105.7
	Constant prices	98.9	100.8	99.6	99.2	108.0	108.0	104.5	103.5	99.6	102.3
Agriculture	Current prices	112.9	113.3	103.9	106.2	89.3	103.6	108.5	109.1	109.8	102.4
	Constant prices	105.7	110.0	116.6	123.6	98.0	94.9	100.0	105.5	112.7	110.1
Retail trade (CZ-NACE 50, 52)	Current prices	105.4	106.6	104.4	105.0	105.3	103.3	105.1	105.6	105.4	105.4
	Constant prices	102.4	104.9	104.7	104.9	103.6	101.4	102.8	103.7	104.2	104.5
Transport	Current prices	108.4	106.6	105.8	103.9	107.6	112.5	110.0	109.0	106.2	106.0
	Constant prices	105.9	103.1	103.0	100.7	103.7	109.9	107.5	106.2	103.2	102.6
Communications	Current prices	102.3	102.5	103.3	104.2	106.3	104.1	103.9	103.1	103.1	104.1
	Constant prices	102.3	102.7	107.7	109.4	109.7	104.0	103.4	104.0	105.5	107.3
Other market services	Current prices	105.5	102.8	104.0	103.6	108.6	108.0	107.0	105.6	103.9	104.6
	Constant prices	100.5	99.3	101.0	100.7	105.8	104.3	102.7	101.6	100.3	101.6

<sup>\*)</sup> The data on the industry, construction and agriculture refer to sales of own goods and services; data on other CZ-NACE activities refer to total sales.

The total **economic result** (i.e. gross profit or pre-tax profit) of **non-financial corporations with 100+ employees** was down by 9.2% y-o-y (all figures in this paragraph are at current prices). Like in Q2 2005, it was the result of a higher rise in costs (+8.7%) than yields (+7.6%). This development was accompanied by lower return on costs and lower return on equity capital. The number of loss-making enterprises went up considerably and made up more than a third of the total number of enterprises. Decreases in gross profit were apparent particularly in 'manufacturing', 'electricity, gas and water supply', 'agriculture, forestry and fishing', 'trade' and 'transport'. The y-o-y growth of gross profit was contributed to mainly by 'mining and quarrying of energy producing materials', 'manufacture of transport equipment', 'construction', 'real estate, renting activities', and 'storage and communication'. **Book value added** produced in large non-financial corporations was by 3.5% higher y-o-y. Its growth is predominantly attributable to 'electricity, gas and water supply', while the contribution of 'manufacturing' was low. All non-industrial CZ-NACE activities (i.e. other than CZ-NACE 10-41) except for hotels and restaurants saw higher book value added. The stock of total inventories grew by 3.2% y-o-y at the end of Q3 2005. Overcapitalisation, i.e. negative value of equity capital, occurred in 4.7% of enterprises, and the total amount of overcapitalisation was up. The share of equity capital in the coverage of the balance sum is slightly above 50% in the long term. **Foreign-controlled enterprises** raised their book value added by 6.6% and their gross profit fell by 16.2%, compared to Q3 2004.

The **overall price level** (measured by GDP implicit deflator) grew very moderately (+0.1%), i.e. less than prices of final consumption expenditure (+2.6%) and prices of gross capital formation expenditure (+0.5%), under considerable decreases in export prices of goods and services (-3.2%) and import prices of goods and services (-0.7%).

The average annual inflation rate, measured as increase in the **consumer price** index in last 12 months over the average for preceding 12 months, stood at 2.0% in September. In terms of year-on-year comparison, the price level grew by 1.9% in Q3 2005, i.e. more than in Q1 and Q2. It was due to price increases in housing (+4.1%), transport (+3.7%) and post and telecommunications (+15.4%), i.e. higher prices of natural gas, automotive fuel and higher flat rate for fixed home telephone lines, respectively. Prices of food and non-alcoholic beverages, clothing, textiles and footwear, and furnishings and household equipment continued decreasing y-o-y. Market prices grew by only 0.7% and regulated prices by 6.0%. Prices of services in total were up by 3.5% and prices of goods by 0.9%. The cost of living in households of employees and households of pensioners rose by 1.7% and 2.6%, respectively.

*In October and November, consumer prices rose by 2.6% and 2.4% y-o-y, respectively.*

Like in Q1 and Q2 2005, **agricultural producer prices** fell in Q3 too (-8.8% y-o-y), mainly as a result of lower prices of crop products by more than a fifth. **Industrial producer prices** slowed down their growth rate to 1.3% mainly due to prices of 'basic metals, metallurgic and fabricated metal products' and 'food products, beverages and tobacco'. On the other hand, prices of energy were up. Prices of **construction work** grew by 2.5% y-o-y. Among **market services** whose prices increased by 2.4%, particularly prices of 'post and telecommunication services' grew. Prices of **tangible investment** actually stagnated in Q3 2005.

*In October and November, in terms of y-o-y comparison, prices in agriculture fell by 6.3% and 6.0%, respectively; industrial producer prices rose by 0.3% and remained unchanged, respectively; and construction work prices were higher by 2.6% in both months.*

**Price development in external trade** continued its trend also in Q3 2005. It was further affected by the strengthening of the *koruna* against the main foreign currencies on the one hand, and by growing prices of mineral fuels in world markets on the other hand. Import and export prices were up by 0.6% and down by 2.4% y-o-y, respectively. Compared to Q3 2004, **terms of trade** reached 97.0%. The **world prices** of industrial raw materials and food measured by the CZSO index were up by 42.6% y-o-y on average in Q3 2005.

In **external trade in goods**, the growth rates of exports (+8.1%, at constant prices +12.3%) and imports (+6.0%, at constant prices +7.0%) approximated. This resulted in a lower surplus of the total balance of trade (CZK 0.3 billion, at constant prices CZK 13.7 billion). By group of countries, an above-the-average growth was recorded for exports to and imports from CIS countries, European transition economies and 'other states', whereas trade with the EU25 states developed below the average. In terms of commodity structure, exports and imports of 'machinery and transport equipment' rose considerably and grew below the average, respectively; both exports and imports of 'chemicals and related products' increased above the average; exports and imports of 'manufactured goods classified chiefly by material' grew moderately and dropped, respectively; and both exports and imports of 'agricultural and food crude materials and products' were up relatively highly. A higher growth rate of exports than growth rate of imports was reported for trade in 'miscellaneous manufactured articles'. The growth rate of imports of 'crude materials, inedible, and mineral fuels' was high and dynamics of exports was slightly above the average.

*In October 2005, exports and imports at current prices were up by 5.0% and 2.7%, respectively, y-o-y. The balance of trade was active by CZK 1.8 billion.*

The current account of the **balance of payments** ended in a deficit of CZK 32.5 billion in Q3 2005, which represented a y-o-y improvement of CZK 23.1 billion. The financial account of the balance of payments reached a surplus of CZK 32.4 billion, which was by CZK 22.1 billion less y-o-y. The deficit of the current account and the surplus of the financial account alike made up 4.4% of the nominal GDP volume. Besides the favourable trade balance (a y-o-y improvement of CZK 8.5 billion), also a lower deficit of the balance of revenues (by CZK 16.8 billion y-o-y) and a higher surplus of the balance of tourism contributed to the improvement of the current account. The surplus of the financial account was affected by inward flows of foreign direct investment amounting to CZK 43.4 billion and by drawing on loans by the government sector and the enterprise sphere. The balance of portfolio investments was passive by CZK 33 billion (by CZK 31.6 billion more y-o-y) as a result of higher investments of Czech entities abroad. As to other investments, there was a net inward flow of capital amounting to CZK 24.8 billion. Foreign exchange reserves grew by CZK 2.7 billion in Q3 2005.

**Foreign exchange reserves of the CNB** reached CZK 733.9 billion at the end of Q3 2005, which would be enough to cover 4.4 months' imports of goods and services (i.e. more than a year earlier).

The average **exchange rates** of the Czech *koruna* against the **euro** and against the **American dollar** strengthened and reached 29.7 CZK/EUR and 24.3 CZK/USD, respectively, in Q3 2005. The index of nominal effective exchange rate of the *koruna* was by 5.6% higher y-o-y on average. The index of real effective exchange rate of the *koruna* was by 5.4% higher based on consumer prices and by 2.4% higher based on industrial producer prices.

The y-o-y growth of **money supply M2** slowed down at the end of Q3 2005. It stood at 5.2% in June and 4.2% in September. The average annual level of M2 in relation to the annualised GDP volume amounted to 65.3%. The share of the monetary aggregate M1 (money in circulation and one-day deposits) in money supply M2 was 52.9%. Its y-o-y dynamics slowed down to 5.1%. One-day deposits of enterprises grew less and dynamics of growth of money in circulation accelerated. The y-o-y growth of volume of quasi money (deposits with agreed due date, time deposits and repo transactions) decreased to 3.3% y-o-y at the end of Q3 2005. The lower growth of the monetary aggregate M2 in Q3 2005 was related to a further increase in the negative annual growth rate of net loan to government. The slowdown in the growth of M2 was counteracted by acceleration of the annual growth rate of net external assets and by an increase in domestic loans granted to enterprises and households.

**Loans** provided to enterprises and households rose by 18.9% at the end of September. This development was accompanied by a decrease in the average interest rate to 5.1% at the end of Q3 2005. On the increase were loans granted to non-financial corporations (+11.8%) and households (+32.9%).

Dynamics of the total **deposits** at banks rose to 10.4% y-o-y at the end of Q3 2005, of which *koruna* deposits grew by 8.6%.

The Czech National Bank did not change its key rates in Q3 2005. The average **interest rate** on total **deposits** and total **loans** reached 1.10% and 5.59%, respectively, at the end of Q3 2005. The **interest margin** between total rates on loans and total rates on deposits does not tend to fluctuate significantly and reached 4.50 percentage points in September: 6.14 percentage points in the household sector and 3.19 percentage points in the non-financial corporations sector.

**Employment** in businesses with **20+ employees** of the business sphere (in financial intermediation irrespective of employment) and in all organisations of the non-business sphere increased by 0.6%. This increase is thanks to foreign-controlled enterprises where the growth amounted to 12.4%. The highest decrease of employed persons continued in

cooperatives and state-owned businesses. The average monthly gross **nominal wage** of employees in businesses with 20+ employees grew by 6.2% and stood at CZK 18 833. Under a growth of consumer prices by 1.9%, the average **wage** rose by 4.2% **in real terms**. The average wage in the business and non-business spheres grew by 5.5% and 8.6%, respectively. The wage differentiation between individual CZ-NACE activities has constantly been rising, albeit slightly (the variation coefficient was up by 0.5 percentage points y-o-y in Q3 2005 and reached 33.4%).

The estimated **number of workers in the whole economy of the Czech Republic**, compared to Q3 2004, grew by 0.5%, the **number of employees in the whole economy** rose by 0.6%. Their average wage increased by 6.1% and reached CZK 17 713.

The **registered unemployment rate** was 8.8% on 30 September. It grew by 0.2 percentage points quarter-on-quarter at the end of Q3 2005. The number of registered job applicants was 503.4 thousand, of which 475 thousand were available unemployed. The number of long-term unemployed persons dropped by 3.9%, but their percentage in the total number of unemployed remains high and amounted to nearly 43% at the end of September. Persons with basic education made up almost 30% of the unemployed and persons with university education 3.7%. The average number of unemployed school-leavers fell by more than a quarter y-o-y. A new indicator called the vacancy rate measures the relation between demand for work and supply of vacancies. This rate was 1.3% in Q3 2005. On 30 September, there were 9 persons per vacancy on average nationwide, i.e. by 2.3 persons less than in September 2004. The situation in the labour market improved in all regions (except for the Pardubický Region). The highest unemployment rates persist in the districts of Most (21.7%), Karviná (18.7%) and Teplice (15.9%).

*The registered unemployment rate was 8.5% at the end of October and 8.4% at the end of November.*

**Net money expenditures** at constant prices grew in households of employees (+4.5%) and stagnated in households of pensioners. As to the structure of expenditures in Q3 2005, the share of expenditures on food was down in both households of employees (by 0.8%) and pensioners (by 1.1%). The share of indispensable expenditures, i.e. on food, beverages and housing, was 35% of the total expenditures in households of employees and 50.3% in households of pensioners.

In the framework of **social expenditures**, resources paid as pensions rose by 5.2% at current prices. As a result of the pensions adjustment on 1 January 2005, the average old-age pension was CZK 7 738 in Q3 2005 (according to the Ministry of Labour and Social Affairs' data), i.e. by 6.5% more y-o-y. As cost of living of pensioners was up by 2.6% y-o-y, the average old-age pension grew by 3.8% in real terms.

In Q1-Q3 2005, the **state budget** recorded revenues CZK 634.1 billion and expenditures CZK 608.3 billion. More favourable percentage of revenues (78.8% of the adjusted budgeted level) in comparison to expenditures (68.5% of the adjusted budgeted level) resulted in surplus CZK 25.8 billion at the end of September (as against deficit CZK 40.5 billion a year earlier). In relation to nominal GDP, the surplus was 3.5%. In particular tax revenues contributed to the good result of the revenue side of the state budget. The development of revenues from social security insurance was worse. As to expenditures, as much as 41% of them went to social benefits, which were met at 76.6% of the adjusted budgeted level. Among them were prevailing pension expenditures, which were met at 77.2% of the budgeted level.

*The state budget reached a surplus of CZK 15.2 billion at the end of October and a surplus of CZK 0.2 billion at the end of November.*

The **population** of the Czech Republic was 10 246.5 thousand on 30 September 2005, which was by 32.1 thousand more y-o-y and by 25.9 thousand more than at the end of 2004. The population increase resulted from the active external migration balance and from rising births. The number of live births exceeded 78 thousand in Q1-Q3 2005, which was by 3 842 children more y-o-y. Deaths were slightly higher than live births. The active balance of external migration stood at 28 thousand persons in Q1-Q3 2005. The number of marriages moderately increased, the number of divorces dropped.

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#### Comparison of the development of the CR and the EU in Q3 2005 according to selected harmonised indicators

Harmonised indicator	EU 25	EU 15	Germany	Slovakia	Czech Republic
Gross domestic product (constant prices) – y-o-y change in %	101.9	101.8	101.3	106.2	104.9
Harmonised index of consumer prices (HICP)	102.3	102.3	102.1	102.2	101.6
Harmonised unemployment rate in %	8.4	7.5	9.2	15.7	7.8
Industrial production index (working days adjusted) in %	101.2	100.9	103.3	105.1	108.7
Construction output index (working days adjusted) in %	101.0	100.5	96.2	116.8	104.6
Retail sales index (seasonally adjusted) in %	101.9	101.6	100.8	108.4	102.7

Source: Eurostat (of 20 December 2005), calculations by CZSO