

Gross Domestic Product

- **Gross domestic final expenditures most contributed the GDP growth**

In terms of real comparison the y-o-y total production increased by 10.5%; that of intermediate products by 12.1% and gross added value by 7.8% in Q1 2006; it expanded most in processing industry (by 18.5%) but in construction dropped by 9.2%. As a result of a low expansion of net taxes the GDP gained by 7.4% in real terms. Structural shifts especially on the demand side accompanied the accelerated GDP growth. Affects of individual expenditure elements on the GDP increase was substantially more balanced compared to 2005 when an external sector preponderated. In Q1 2006 volume expansion of expenditures on the gross capital formation influenced the y-o-y GDP increase most, followed by net exports and finally expansion of final consumption expenditures. Growth of domestic effective supply slowed down owing to increased reserves formation and growth of domestic realised demand accelerated, however a high growth of external demand than external supply continued growing albeit with lesser difference among gain paces. Increase in purchasing power of exports lagged behind an arduousness of imports on sources produced by exports. A slower growth of gross domestic disposable income than GDP (as a result of increase of a negative influence of net primary incomes and one-sided transfers), by substantially lower growth of final consumption expenditures issued in a fact that active balance of domestic current non-residents transactions got to moderate liabilities. Gross domestic savings suited the purpose to finance gross capital expenditures formation so that it was not necessary to apply external sources.

- **GDP increase by 7.4% in real terms**

In Q1 2006 GPP at current purchasing prices amounted to CZK 746.9 milliard; in terms of real comparison it increased by 7.4% y-o-y. Loss resulting from unfavourable exchange relations enlarged y-o-y, which had a consequence in slower growth of gross domestic income (by 5.5% in real terms) than GDP. In terms of real comparison gross domestic final expenditures amounted to CZK 722.8 milliard at current prices that is an increase by 6.3%, i. e. less than GDP; mainly owing to fall in government expenditures, but also due to a moderate enlargement of household consumption expenditures as well as an increase in gross savings rate. The y-o-y total final consumption expenditures amounted to CZK 514.9 milliard at current prices increased by 2.0% in real terms affecting the GDP growth with 1.3 p. p. Household consumption expenditures expanded faster – by 3.4% in real terms. A high growth of gross disposable income of households reached especially by labour incomes enabled its consumption increase, nevertheless non realised incomes and changes in share of households in pension funds reserves resulted in enlargement of gross household savings by 14.3%. The y-o-y expenditures on the gross capital formation amounted to CZK 207.9 milliard at current prices increased by 16.7% in real terms and its growth markedly accelerated mainly due to high production of reserves. Expenditures on gross capital formation contributed to the GDP growth by 4.7 p. p. Also growth speed of gross fixed capital formation expenditures was very high (7.1% really) under considerable quickening of growth. Affect of net exports on the GDP growth in comparison to the y-o-y huge affect of 2005 markedly weakened and reached 1.4 p. p. when the y-o-y total exports expanded by 17.0% in real terms and total imports by 15.3%. Contribution of transactions in services further decreased; its export lessened by 3.3% and imports enlarged by 1.8%.

- **Expansion of gross domestic savings did not sufficed to cover gross capital formation expenditures**

In Q1 2006 the y-o-y volume of gross disposable domestic income amounted to CZK 722.7 milliard higher by 6.2% and by 5.3% in real terms. Increased drain of net primary incomes abroad as well as substantially lesser inflow of foreign net transfers resulted in its lesser nominal growth by 2.1p. p. than the nominal GDP growth. Income, outlays and capital transactions brought on almost zero balance of domestic current transactions but it was lower by CZK 16.3 milliard compared to Q1 2005, by a volume increase of gross domestic savings by 7.6% and a huge growth of nominal expenditures on gross capital formation (17.5%). Whilst a year ago net loans amounted to CZK 17.7 milliard, in Q1 2006 lessened by CZK 15.0 milliard. The y-o-y gross savings rate and investment rate jumped from 28.4% to 28.8% and from 26.0% to 28.8%.