

Gross Domestic Product, Demand and Supply

- ***The Czech Republic keeps on growing*** In the course of 2005 the y-o-y GDP development can be characterized by higher paces of gain in Q1; and in Q3 by equal paces of gain (compared to the equal period of the preceding year). Generally it means a higher growth has been reached for last three quarters. Annual volume of GDP as well as the y-o-y higher GDP growth support the Czech economy keeps on growing. The Q3 growth was slower than during preceding two quarters. The analysis of the y-o-y GDP gain showed that in total it was foreign trade with goods and services what had a positive impact not only by expansion of exports, but also by a significant decrease of gain paces of imports on the outlays side. In Q3 this influence lessened. Impact of household expenditures on final consumption as well as outlays on gross fixed capital formation became less intensive. Manufacturing industry, sales and servicing of motor vehicles had a very positive impact on development of gross added value on the sources side.
- ***Net exports had most favourable influence on the y-o-y GDP increase for three quarters*** GDP at current purchasing prices amounted to CZK 2 177.5 bln for three quarters 2005; in Q3 amounted to 742.8 bln was up by 5.0 % in real terms, and by 4.9 % y-o-y, respectively. Such a growth was higher by 0.4 p. p., or was the same, respectively. The seasonally adjusted GDP increased by 1.0 % in real terms in Q3, compared to Q2. The nominal volume of GDP amounted to CZK 2 881.1 bln for past four quarters (Q4 2004 to Q3 2005) and expanded by 5.0 % in real terms, i.e. by more than 0.7 p. p compared to the equal period (Q4 2004 to Q3 2005). Volume of final consumption expenditures rose (by 2.4 % in real terms) substantially less than the GDP volume for three quarters; outlays for gross capital formation dropped by 3.5 % in real terms. Volume of household consumption expenditures amounted to CZK 1 052. 8 bln at current prices enlarged by 2.6 % in real terms; quantity of outlays for gross capital formation expanded by 2.9 % in real terms. In Q3 growth of both GDP outlays components speeded up coincidentally by 0.3 p.p. Among household expenditures capacity of housing equipment purchases and expenditures for transport most enlarged; on the outlays side for gross capital formation expenditures for machinery and machinery equipment rose faster than those for buildings and construction. Net exports had a crucial positive effect on GDP growth when the y-o-y volume of total exports (of goods and services) extended by 11.5 % in real terms for three quarters; in Q3 by 10.9 % and rose faster than imports (5.3 %, or 6.1 %, respectively). The Czech economy has not been reached such a considerable advance of export before imports yet.
- ***Households disposable income lags behind increase of its current incomes*** Household consumption comprises more than two thirds for final consumption; its y-o-y change was hinged on the gross disposable households' income (GDHI). Its nominal volume amounted to CZK 1 123. 8 bln for three quarters 2005 was higher by 3. 5 % on a year before in spite of the fact that volume of current income expanded by 4.6 %; employees' compensation by 5.5 %, social benefits by 3.9 %. Current household expenditures rose faster (by 6.9 %), social benefits by 7.1 %. Share of household consumption volume in GDHI increased from 93.4 % to 93.7 %, so that its remaining part did not change. A moderate gross household savings increase (by CZK 84.5 bln; by 1.4 %) came about by a sizeable growth in change of share of households in reserves of pension funds. For all that gross household savings rate dropped from 7.7 % to 7.5 %.
- ***Lower growth of GDI than GDP*** Distinct drop in export prices than in imports ones and a loss of domestic labour at foreign markets led to an unfavourable development in real exchange relations (reduction by 1.9 %, or 2.5 %, respectively) that resulted in sluggish gain paces of gross domestic income (GDI in real terms) than GDP. The y-o-y GDI capacity enlarged by 3.6 % in real terms for three quarters; only by 2.9 % in Q3 less what the GDP growth did.
- ***Faster growth of GAV than GDP*** The y-o-y gross added value (GAV) at current basic prices amounted to CZK 1 954.5 bln for three quarters 2005; in Q3 amounted to CZK 666.1 bln was up by 5.6 % in real terms, or 5.2 %, respectively, hence rose more rapidly than GDP.

Product taxes after allowances rose imperceptibly in real terms. GAV most increased in manufacturing industry (by 7.4 %), in sales and servicing of motor vehicles and consumer goods (by 10.5 %), on the other hand GAV sizeably dropped in hotels and restaurants and accommodations (by 9.1 %) and slightly in construction (by 0.3 %).

- **Increase of unit labour costs**

Growth of total labour productivity by 4.1 % for three quarters alike in Q3 had a predominating influence on GDP increase. Unit labour costs went up by 2.2 %, as primary incomes of employees rose faster than primary incomes in institutional sectors.

- **Lessening of share in gross domestic outlays on disposable resources**

Domestic resources formatted during three quarters 2005 amounted to CZK 3 693.8 bln (at current prices) being at disposal for final outlays (in Q3 CZK 1 265.9 bln) jumped in real terms by 5.1 %, or 5.5 %, respectively y-o-y, growing faster than GDP. Its share in these resources somewhat expanded (59.0 % at current prices). On the side of usage gross domestic final outlays amounted to CZK 2 122.0 bln (and CZK 738.3 bln at current prices) in the same time period was in real terms by 0.5 % more, or 1.3 % respectively; it rose more leisurely than GDP. Drop in outlays for gross capital formation held sway over this development (1.1 p. p.), however swell of outlays for final consumption (1.6 p. p.) had a positive effect. GDP surpassing gross domestic final outlays cut down and its share in total final outlays dropped. The same tendencies, however smaller differences in mutual relationship were recorded in Q3.

- **Domestic supply exceeded domestic demand**

The y-o-y aggregate demand and aggregate supply at current prices amounted to CZK 3 680.5 bln for three quarters (in Q3 CZK 1 262.0 bln) was up in real terms by 6.8 %, or 7.0 %, respectively. While in first three quarters of the preceding year the domestic effective supply at current prices was imperceptibly lower (by 0.2 %) than domestic realized demand, in this year it exceeded by 2.6 %. Domestic supply hit 58.8 % of aggregate supply was more by 0.6 p. p. on a year before. The y-o-y expansion of domestic demand (in real terms by 2.8 %) was much sluggish compared to increase in domestic supply (in real terms by 7.3 %), when lower formation of supplies had the most favourable influence. External demand did not come up the level of external supply (all at current prices) by 0.3 %, whilst in this year it exceeded by 3.7 %.

- **Growth of gross domestic savings rate**

The y-o-y gross domestic disposable income (GDDI) at current prices amounted to CZK 2 078.1 bln for three quarters 2005 (in Q3 CZK 706.1 bln) was higher by CZK 117.7 bln, or CZK 50.8 bln, respectively. The difference between the GDP gain and GDDI gain was influenced by net primary incomes and net current transfers. The y-o-y nominal volume of gross domestic savings for three quarters amounted to CZK 538.2 bln jumped by CZK 46.5 bln (9.3 %) or by CZK 18.0 bln (12.0 %), respectively; what means increase in gross savings rate from 25.1 % to 25.9 %, or from 22.9 % to 23.8 % respectively. The y-o-y nominal volume of gross domestic savings amounted to CZK 538.2 bln (in Q3 CZK 168.2 bln) for three quarters enlarged by CZK 46.5 bln (9.3 %), or CZK 18.0 bln (12.0 %), what demonstrates increase in gross savings rate from 25.1 % to 25.9 %, or 22.9 % to 23.8 %, respectively. Excess of gross investments rate over gross savings rate slashed. Deficit of domestic current transactions was also sizeably smaller; financing outlays rate for gross capital formation from external sources fall down (from 17.9 % to 7.5 %, or from 27.6 % to 16.1 %)