Development of selected indicators on non-financial assets in the CR

This part of the publication describes in a nutshell the development of selected indicators on national accounts of the CR associated with the issue of non-financial assets.

The indicator on gross capital formation (P.5) belongs to key parameters used in a macroeconomic analysis when development of national economy is assessed. Its significant position in such analyses stems from the basic equation of national accounting:

$$GDP + I = FC + GCF + E,$$

where GDP = gross domestic product, I = imports, FC = final consumption, GCF = gross capital consumption, E = exports.

The indicator on gross capital formation comprises three components: gross fixed capital formation (P.51), changes in inventories (P.52) and acquisition less disposals of valuables (P.53). The gross fixed capital formation (GFCF) component accounts for 97% of gross capital formation over the period of 1995-2003.
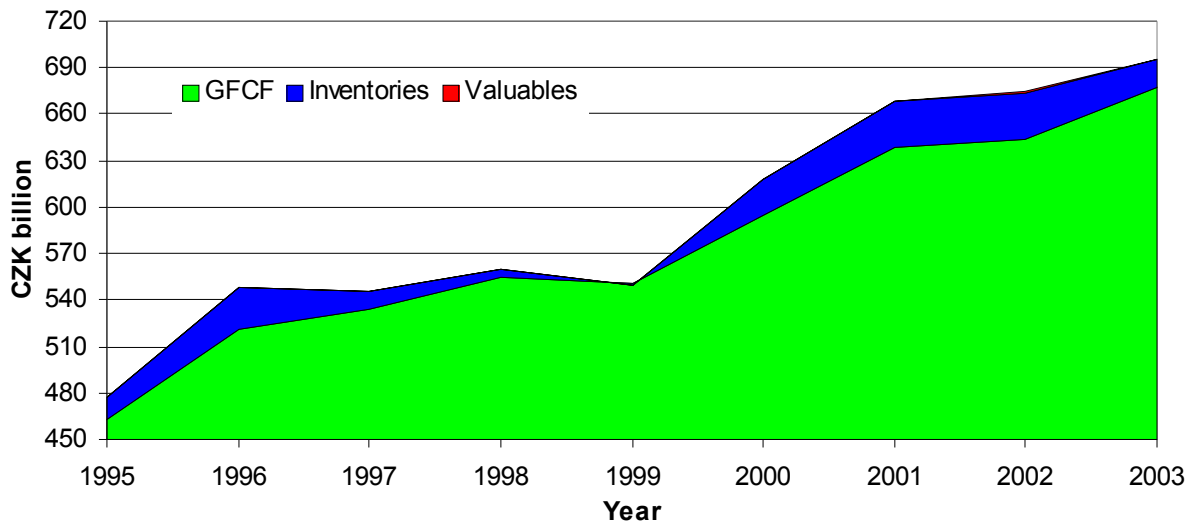

Fig. 1. Gross capital formation components: CZK billion, current prices

Table 1. Development of GFCF and GDP in the CR: constant prices of 1995, 1995=100%

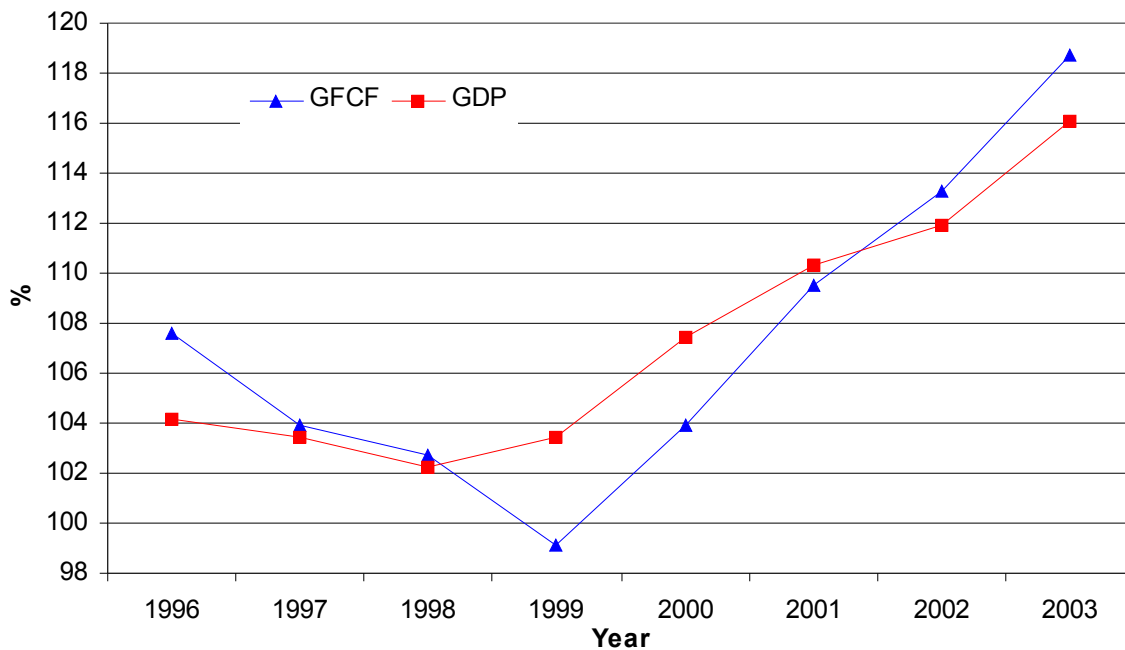|	1996	1997	1998	1999	2000	2001	2002	2003
GFCF	107.6	103.9	102.7	99.1	103.9	109.5	113.3	118.8
GDP	104.2	103.4	102.2	103.4	107.5	110.3	112.0	116.1

Fig. 2. Development of GFCF and GDP: constant prices of 1995, 1995 = 100%

A dependence of GDP on GFCF can be characterized by the growth rate of investments (GFCF/GDP ratio) whose development in the CR in 1995-2003 is shown in Table 2 and Fig. 3 below.

Table 2. Development of the growth rate of investments in the CR: current prices, %

	1995	1996	1997	1998	1999	2000	2001	2002	2003
GFCF (P.51)	463 486	520 995	534 374	554 647	550 596	594 913	638 625	643 311	677 950
GDP (B.1g)	1 466 681	1 660 649	1 785 131	1 962 483	2 041 353	2 150 058	2 315 255	2 414 669	2 550 754
GFCF/GDP, %	31.6	31.4	29.9	28.3	27.0	27.7	27.6	26.6	26.6

The influence the development of gross capital formation exerts on GDP dynamics can be observed by means of GCF contributions to the growth rate of GDP. Table 3 and Figs. 4 and 5 show the contributions of GCF and other GDP components (from the angle of expenditure) to the year-on-year growth rate of GDP.
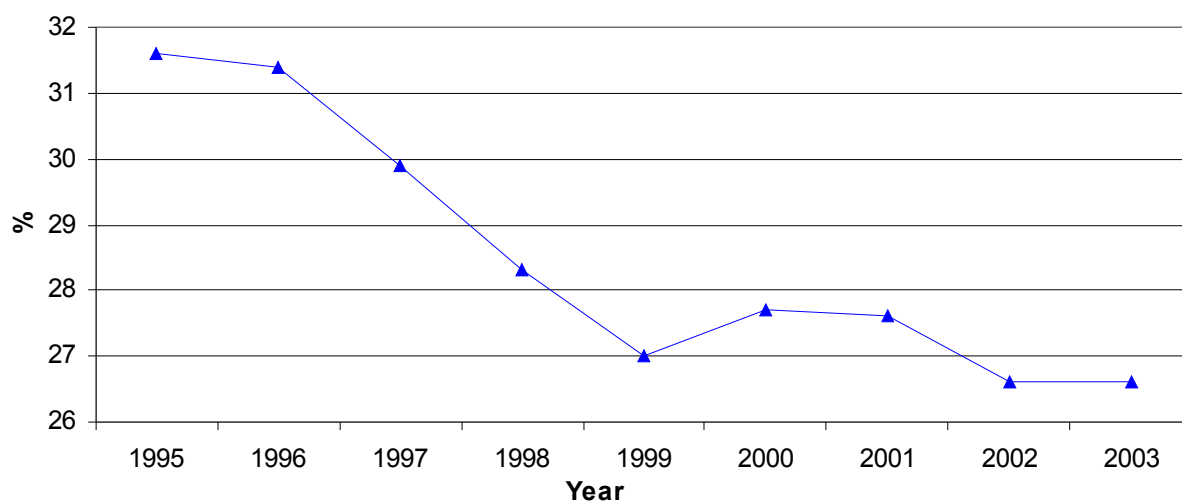
Fig. 3. Development of the growth rate of investments in the CR: GFCF/GDP, %

Table 3. Contributions of factors to the year-on-year growth rate of GDP: constant prices of previous year, percentage points

	1996	1997	1998	1999	2000	2001	2002	2003
GDP growth rate, % (cppy*)	4.2	-0.7	-1.1	1.2	3.9	2.6	1.5	3.7
Final consumption expenditure	4.8	1.0	-1.0	2.2	1.5	2.2	2.5	3.4
Gross capital formation	**3.3**	**-2.0**	**-0.7**	**-1.2**	**2.5**	**1.8**	**1.0**	**0.8**
Exports of goods and services	2.8	4.1	5.5	3.0	9.3	7.4	1.4	4.5
Imports of goods and services	-6.7	-3.8	-4.9	-2.8	-9.4	-8.8	-3.4	-5.0

* constant prices of previous year

For the financing of GCF it is useful to monitor the relation between saving and GCF or rate of saving and rate of investments. Equilibrium between national saving and GCF is considered a significant parameter of macroeconomic stability. With regard to the need to finance GCF, insufficient national saving is indicative of the existence of exogenous disequilibrium.

The relationship between saving and GCF can be evaluated by comparing the rate of saving and the rate of investments, i.e. by finding "a gap between saving and investments". (In this context we see the rate of investments as a form of gross capital formation.)

Table 4 and Fig. 6 show he development of gross national saving and GCF in the CR over 1995 to 2003. The value of gross national saving was below what was needed to finance

GCF through out the whole reference period. The gap between the rate of gross national saving and the rate of investments has been steadily widening in the CR since 1999.
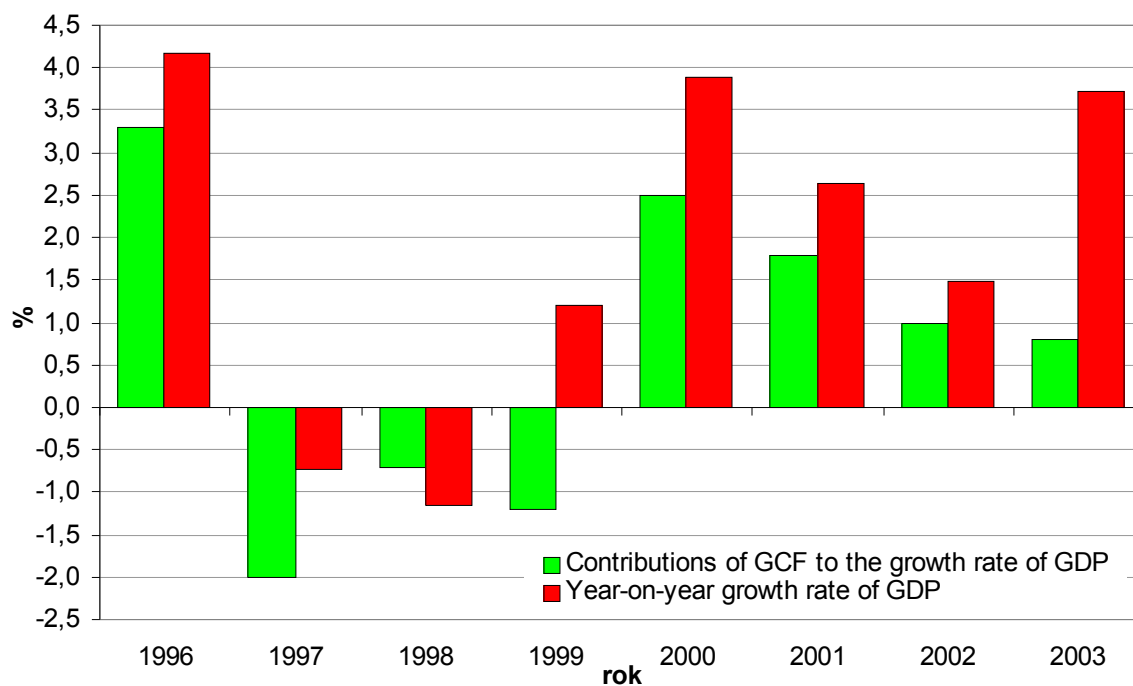

Fig. 4. Contributions of GCF to the year-on-year growth rate of GDP: constant prices of previous year, percentage points
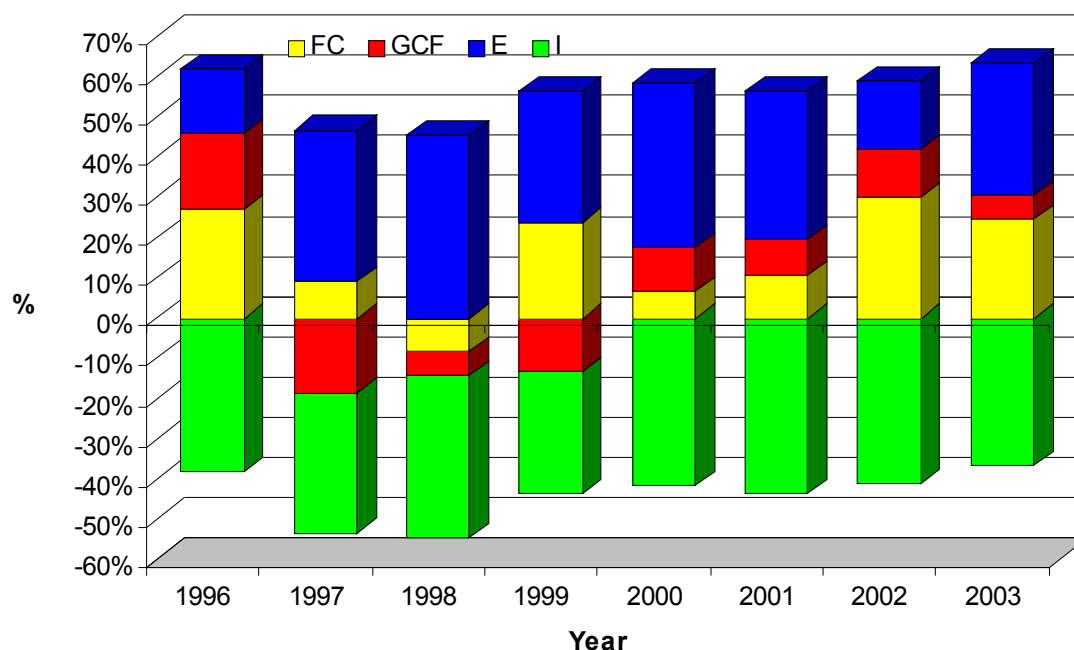
Fig. 5. Contributions of factors to the year-on-year growth rate of GDP: constant prices of previous year, percentage points

The development of saving and investments in the non-financial enterprises sector and the general government sector is shown in Tables 5 and 6.

Shown at the end of the publication is the development of the rate of investments as well as the gap between the national saving growth rate and the rate of investments for selected European countries.

Table 4. Gross saving and gross capital formation: S.1 National economy, current prices

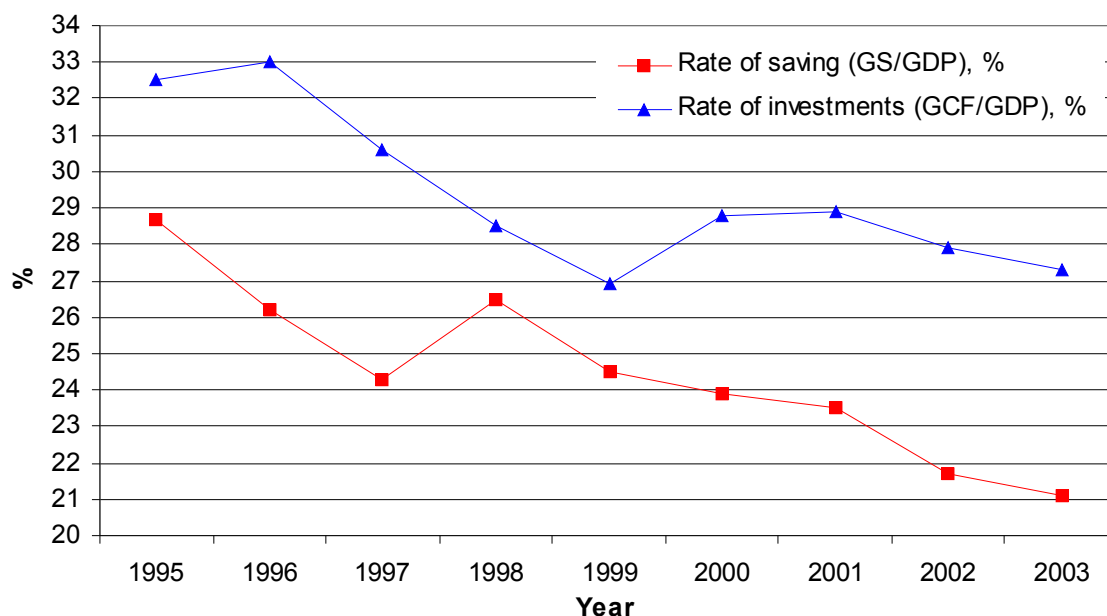|	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross saving (GS), CZK mil.	421 636	435 073	433 033	519 700	499 433	513 534	543 871	523 032	538 300
GCF, CZK mil.	476 906	548 363	545 393	560 206	550 022	618 527	668 632	674 195	696 094
GS minus GCF, CZK mil.	-55 270	-113 290	-112 360	-40 506	-50 589	-104 993	-124 761	-151 163	-157 794
Rate of saving (GS/GDP), %	28.7	26.2	24.3	26.5	24.5	23.9	23.5	21.7	21.1
Rate of investments (GCF/GDP), %	32.5	33.0	30.6	28.5	26.9	28.8	28.9	27.9	27.3
Rate of saving minus rate of investments, %	**-3.8**	**-6.8**	**-6.3**	**-2.0**	**-2.4**	**-4.9**	**-5.4**	**-6.2**	**-6.2**

Fig. 6. Development of the rate of saving and the rate of investments in the CR (%)

Table 5. Gross saving and gross capital formation: S.11 Non-financial enterprises, current prices

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross saving (GS), CZK mil.	176 363	217 019	177 617	232 357	260 640	322 438	336 564	300 694	331 340
GCF, CZK mil.	319 898	355 821	352 167	354 203	357 374	423 132	449 433	434 324	473 254
GS minus GCF, CZK mil.	-143 535	-138 802	-174 550	-121 846	-96 734	-100 694	-112 869	-133 630	-141 914
Rate of saving (GS/GDP), %	22.2	23.7	17.9	21.4	23.1	26.7	26.1	22.3	23.4
Rate of investments (GCF/GDP), %	40.2	38.9	35.5	32.6	31.6	35.0	34.8	32.2	33.5
Rate of saving minus rate of investments, %	-18.0	-15.2	-17.6	-11.2	-8.5	-8.3	-8.7	-9.9	-10.1

Table 6. Gross saving and gross capital formation: S.13 General government, current prices

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross saving (GS), CZK mil.	83 849	78 994	82 047	82 619	64 415	47 121	58 597	47 237	55 461
GCF, CZK mil.	67 096	73 789	71 761	83 102	58 805	62 547	76 935	92 786	102 979
GS minus GCF, CZK mil.	16 753	5 205	10 286	-483	5 610	-15 426	-18 338	-45 549	-47 518

Rate of saving (GS/GDP), %	44.2	36.5	35.1	32.7	23.9	17.1	19.7	15.1	15.9
Rate of investments (GCF/GDP), %	35.4	34.1	30.7	32.9	21.8	22.6	25.8	29.7	29.5
Rate of saving minus rate of investments, %	**8.8**	**2.4**	**4.4**	**-0.2**	**2.1**	**-5.5**	**-6.1**	**-14.6**	**-13.6**

The economic development can be also evaluated by means of another indicator, i.e. according to the development of the share of the stock of manufacturing and trade inventories in sales. Table 7 below gives these results for the Czech Republic for 1995-2003.

Table 7. Share of the stocks of manufacturing and trade inventories in sales: 31 December, %

	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Manufacturing[1]	19.3	17.1	16.8	16.0	15.6	15.0	14.6	14.1	12.9
Trade[2]	9.6	12.7	10.1	10.0	10.2	9.9	9.5	10.1	10.9

[1] Share of the stocks of manufacturing inventories in market output: 31 December, %

[2] Share of the stocks of trade inventories of goods for resale in sales of goods: 31 December, %