

## State budget

- ***For the first time from 2004 the growth of semi-annual expenditure exceeded the growth of income***

The state budget income grew in the first half-year by 3.1%, y-o-y. Dynamics of expenditure was also lower compared with the same period of 2006, however, it exceeded the growth of budget income. The above mentioned development of income and expenditure, however, helped to maintain the state budget in positive figures (CZK +1,27 billion). Surplus in relation to nominal GDP (0,1 %) was markedly reduced (0,5 %) compared with Q1 and Q2 2006.

- ***Tax income net of insurance payment increased only moderately; current expenditure showed slower growth compared with the same period of 2006***

Tax income along with insurance premium for social security making almost nine tenths of total budget income slowed down in Q2. Nevertheless, the year-on-year growth (+4.8 %) for the period of six months (in Q1 2007 tax income increased, y-o-y, by 6.5 %) still advanced over the growth of total budget income (+3,1%). In Q1 and Q2 compared with the first three months a relatively strong slow-down of the income tax collection (+1.1 % compared to +4,2 % in Q1) was recorded in the structure and final dynamics of total tax income was, unlike the same period in 2006, pulled by the insurance premium collection (+10,3 %). Budget could traditionally count on good level of the income tax revenues from natural persons – employed – tax revenues from their income increased y-o-y by 12.2 % up to CZK 4 billion. In contrast, tax revenues from income of natural persons – the self-employed dropped due to returns by more than one fourth.

Current budget expenditure increased y-o-y slower compared to Q1 and Q2 2006 (+3.9 % against +8,2 %), with a lower growth, y-o-y, of social benefits (+6.7 % against +7,6 %) and especially pensions (+3,9 % against +9,0 % in Q1 and Q2 2006). In total, dynamics of current expenditure was weaker than that of total budget expenditure (+4,5 %) affected by higher capital expenditure (+15,4 %) in form of investment purchases (+17 %) and advance payments to selected banks (+24,1%).

Data source: CZSO, MF of the CR, CNB, Ministry of Labour and Social Affairs, CZSO calculations.

Latest information from the CZSO and CNB sources offered in this report refers to 10 September 2007. The report is based on monthly statistical data of statistics on industries and the GDP quarterly estimates.

**Table 1 Monthly Indicators**

	Months 2006									Months 2007			
	VII.	VIII.	IX.	X.	XI.	XII.	I.	II.	III.	IV.	V.	VI.	VII.
Consumer prices <sup>1)</sup> , in %	2,9	3,1	2,7	1,3	1,5	1,7	1,3	1,5	1,9	2,5	2,4	2,5	2,3
Producer prices <sup>1)</sup> , in %	2,4	2,7	2,4	1,9	2,0	2,6	2,8	3,2	3,6	3,7	4,1	4,6	4,1
Exports of goods <sup>1)</sup> , in %	15,8	10,8	11,7	23,1	15,9	12,7	14,4	21,4	15,9	21,4	13,3	14,8	20,7
Imports of goods <sup>1)</sup> , in %	17,7	8,3	10,8	22,8	14,7	12,1	17,5	16,2	13,1	16,9	10,8	15,0	18,7
Trade balance, in CZK billion	-3,4	-1,1	7,4	3,9	5,0	-3,7	8,1	14,4	13,7	5,0	7,2	8,0	-0,7
Registered unemployment rate <sup>2)</sup>	7,9	7,9	7,8	7,4	7,3	7,7	7,9	7,7	7,3	6,8	6,4	6,3	6,4
Industrial production <sup>1)</sup> , in %	12,8	9,3	7,4	14,8	10,2	6,1	10,8	13,1	11,0	14,5	6,8	6,6	11,5
Construction works <sup>1)</sup> , real % change	12,1	6,3	4,2	7,2	7,7	15,4	29,0	32,1	26,4	17,4	1,0	-4,5	-1,7

<sup>1)</sup> change on previous year<sup>2)</sup> proportion of attainable unplaced job applicants registered with the labour offices to the total labour force in %

**Table 2 Selected Quarterly Macroeconomic Indicators**

		2005		2006				2007	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross domestic product	in CZK billion, in c.p.	756 632	778 304	742 621	816 462	820 093	841 083	817 704	899 674
Gross domestic product	real % change	6,4	7,0	6,6	6,5	6,3	6,1	6,4	6,0
Final consumption	real % change	3,3	2,8	3,8	2,7	2,4	4,6	4,9	3,9
of which: household consumption	real % change	2,3	3,0	3,8	4,1	4,0	5,6	7,2	6,5
Gross capital formation	real % change	1,2	1,0	7,5	15,0	13,8	10,2	11,1	10,3
of which: fixed	real % change	2,9	3,6	6,8	7,5	7,8	8,1	4,0	4,2
Exports of goods and services	real % change	11,6	12,9	21,2	13,0	12,7	17,1	15,3	13,8
Imports of goods and services	real % change	6,1	6,6	19,6	12,7	11,8	17,1	16,1	13,9