1. Summary

- The Gross domestic product grew by 2.9%[1] in 2018. The year-on-year dynamics thus contracted in comparison to the preceding year. The domestic demand was the main driver of GDP growth, in that especially consumption, which grew by 3.3%. Simultaneously, the investment activity of households, non-financial businesses as well as the government institutions increased. Total gross fixed capital expenditure grew by 10.4% last year. Foreign demand contributed to the growth less than in the previous year, mostly due to the weakened growth dynamics of some of the important business partners. GDP grew by 2.6% year-on-year and by 0.8% quarter-on-quarter in Q4.
- The Gross value added increased by 3.0% in 2018. Domestic demand supported especially the services sector. The weight dominant grouping of trade, transportation, accommodation and restaurants contributed the most to the GVA growth last year. GVA growth reached a five-year maximum (6.9%) in financial and insurance activities. Value added expanded by a similar rate also in information and communication. On the other hand, the export-oriented manufacturing contributed to the GVA growth much less compared to the previous years.
- The value of exported goods grew by 3.4% last year. Contraction of the year-on-year dynamics can be associated with the lower growth of export to Germany and also with the first fall of the value of motor vehicle exports since 2009. In contrast, the export into smaller destinations, as for example Netherlands, Spain or Sweden increased. Export of computers, electronic and optical appliances experienced a very strong growth (15.7%). Value of imported goods grew by 4.7%. The resulting surplus of the trade balance also due to the higher import dynamics shrank by 41.2 CZK bn year-on-year to 122.3 CZK bn. Domestic economy attained a negative balance of the primary income with the non-residents in the amount of 270.8 CZK bn. This deficit was affected the most by the outflow of direct investment profits of the foreign owners in total 414.6 CZK bn (7.8% of GDP).
- Consumer prices increased by 2.1% year-on-year last year. Prices of housing and energies played the key role. Because the prices of rents (3.0%) as well as electricity, gas and energies (2.1%) increased. The higher oil prices also resulted in higher growth of cost of transport vehicle operation (5.3%). Prices of food grew by 1.3% last year. Prices of industrial producers also pressed the oil prices up both in the domestic economy and abroad. Smaller harvest left its mark on the dynamics of plant production prices, especially grain (7.4%).
- Number of employees[2] increased by 1.6% year-on-year last year, similarly to the previous three years. Still a certain slowdown of the quarter-on-quarter dynamics was apparent in the second half of the year. In Q4, 5.45 mil persons worked in the CR, the most in the contemporary history. Higher engagement of formerly economically inactive persons especially contributed to the year-on-year growth of employment (by 83 thousand). General unemployment rate was approaching 2%, however it dropped only negligibly during the year 2018. Still the CR remained a country with the lowest unemployment in the EU; it held primacy also thanks to high rate of job vacancies. Unmet demand for workers led to further growth of the wage costs in the economy. Growth of the average wage strengthened already fifth year in a row (up to 8.1%), the rate slightly weakened in Q4 2018 (6.9%). It was connected mainly to the development in branches with the predominance of the public sector, slowing the pace occurred also in the sector of non-financial businesses.
- The two-week repo rate increased five times last year (from 0.5% to 1.75%). This impulse apart from the interbank rates led to the movement also of some interest rates on the client accounts. Interest rates on both credit to households and businesses were growing.
- Even though the state budget (SB) balance achieved in the cash fulfilment only a mild surplus (+2.9 CZK bn) last year, it depicted the second best result after year 1995. Balance significantly exceeded the budget anticipations similarly to years 2016 and 2017. State wide collection of tax revenues, driven mainly by the higher collection of social security insurance, grew the fastest since the business cycle peak year 2007.

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[1] Data regarding the GDP, gross value added and their components are expressed in constant prices and adjusted for seasonal and calendar effects.

[2] Employment data are in the national accounts conception adjusted for seasonal effects.

Total SB expenditures however also sharply increased (+9.5%), supported in contrast to the previous two years also by stronger investments. Drawing of funds from the EU budget accelerated, nevertheless the expenditures on exclusively national projects, which were subdued in the first half of the year, also increased. Expenditures on pensions rose the most in the last seven years (+4.7%), still the pension account balance finished in surplus for the first time after year 2008. Government institutions sector recorded a positive budget balance (0.89% of GDP), nevertheless nearly one half lower compared to year 2017.