

1. Summary

- Gross domestic product (GDP) increased by 2.5%¹ in 2019. The year-on-year rate of growth notably slowed in Q4 and decreased to 2.0%. Domestic demand provided a stable and strong support to the GDP growth throughout the whole year and increased by 2.8% year-on-year in Q4. In contrast the foreign trade balance, which strongly contributed to the GDP growth in Q2 and Q3, dropped towards the end of the year. The investment activity recovered in Q4. Gross fixed capital expenditures grew by 4.6% year-on-year and by 4.1% quarter-on-quarter.
- Gross value added (GVA) increased by 2.4% in 2019, its year-on-year rate of growth slowed to 1.8% in Q4. Year-on-year GVA growth was in four fifths driven by the services sector last year, where the dynamic development of information and communication (7.6%) continued. Construction followed in the revival from year 2018 supported by the Euro funds (3.4%). On the contrary the weakened foreign demand sank the GVA in industry to a six-year minimum (0.7%). Positive consumer confidence was reflected in the swift 4.8% growth of the retail services, the fifth highest among the EU states.
- Surplus of the foreign trade balance with goods and services attained 345.7 CZK bn² last year. The surplus of trade with goods increased, but the slump of services caused that the foreign trade balance did not contribute much to the total GDP growth last year. Because the favourable development in Q2 and Q3 effectively nullified the downswing at the end of the year. Mostly the motor vehicles, where the positive balance increased, contributed to the surplus of traded with goods. The resulting balance was also positively affected by the improvement of the existing deficit of trade with oil and natural gas.
- Total price level according to the GDP deflator grew by 3.5% in year 2019, mainly due to the effect of prices of consumer goods. Consumer price index expanded by 2.8% last year, the most in the last seven years. Prices of housing and energies contributed the most to this development, followed by food and non-alcoholic beverages. The addition to consumer prices was 3.0% in Q4. The dynamics remained strong in case of prices of housing and energies (5.0%), but the growth of prices of food also accelerated (4.3%). Development in the CR was the opposite to the average growth of consumer prices in the EU, which settled on mild 1.3% in H2. Year-on-year growth of producer prices was slowing down in the course of the year and it reached growth of 1.3% in Q4.
- Year-on-year growth of total employment³ reached 0.7% in 2019, but it only already stagnated in Q4 due to the influence of the export activities. The lack of labour force still constituted a significant barrier to growth in some branches (especially in construction). General unemployment rate featured only minimal changes during the last year. In December 2019, it was 1.8% for males and 2.3% for females. The average gross nominal monthly wage increased by 7.1% last year (to 34 125 CZK). It represented the second largest year-on-year rate of growth in the last eleven years. The average earnings in education grew the most in relative terms already second year in a row.
- Set up of basic monetary policy-relevant rates changed only once last year, specifically by the increase in May. From January till September, the average interest rates on deposits with agreed maturity for households were rising, nevertheless a mild decline occurred in Q4. Households however experienced falling credit costs – both for consumer credit and mortgages. Growth of the volume of mortgages was however slowing down since the beginning of the year.
- The State Budget (SB) deficit arrived at 28.5 CZK bn for year 2019. Mainly the brisk growth of both the current and investment expenditure and further also the moderate slowdown of collection dynamics of some weight-significant taxes due to the slackened economic growth stood behind deepening of the deficit compared to year 2018. Stronger inflow of funds from the EU budget, planned one-time transfer from the privatization account as well as higher income from the sale of the emission allowances had effect on the year-on-year growth of the SB income by 8.5% last year. Collection of social security insurance contributed by one third to the larger total revenues, tax incomes played only slightly smaller role. Current expenditures

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

² In the national accounts conception.

³ Employment data are in the national accounts conception adjusted for seasonal effects.



of the SB strengthened by one tenth year-on-year last year, especially due to higher expenditures on social benefits as well as the growth of expenditure on regional education and wages of public administration employees at the central level. Budget balance of the government institutions sector remained positive for the fourth year in a row, but the size of the surplus shrank to 0.3% of GDP last year. Indebtedness rate attained level of 30.8% of GDP at the end of year 2019, it fell by 1.8 p.p. year-on-year.