

Gross domestic product

- ***Slightly faster growth of GVA than GDP***

The Gross Value Added in the 1st quarter of 2008 increased year on year by 5.3% in real terms. Its greatest growth was reached in the processing industry (by 11.7%), while in agriculture and construction it declined (by 9.1%, resp. by 2.9%). The GDP grew year on year by 5.2% in real terms. After adjusting for seasonality, the volume of GDP in the 1st quarter of 2008 was greater by 0.9% quarter on quarter and by 5.3% year on year.
- ***Significant contribution of net exports to GDP growth***

The largest contribution to the year on year increase of GDP in the 1st quarter of 2008 was made by net exports (2.1 percentage points), when the positive influence of exports (10.2 percentage points), which increased by 12.5%, significantly overcame the negative influence of imports with a growth of 10.8%. The total spending on end consumption increased in real terms by 1.9% and their contribution to the growth of GDP was 1.3 percentage points. Consumption spending of households increased by 2.7% and its growth was significantly slower than last year. The high implicit deflator of household spending and significant devaluation of purchasing power, along with the decline in consumer demand, lead to a change of the consumption structure of goods, especially as a result of rapidly growing prices of food, and to a change of consumer spending according to social groups. The total expenditures on the creation of gross capital grew in real terms by 7.2% and their contribution to the growth of GDP reached 1.8 percentage points. The increasing of the expenditures on the creation of gross fixed capital in real terms by 2.0% was slower than last year, and after the needed rejuvenation of investment activity last year, there was a slight decline this year.
- ***Growth of productivity of work contributed by two thirds to the increase of GVA***

The total employment level (based on National Accounts methodology) of 5,196.5 thsd persons on average in the 1st quarter of 2008 was higher by 1.9% year on year. For one employed person, 155.0 thsd of gross added value was produced in current prices, with the most being produced in the energy industry (987.0 thsds CZK) and the least in the hospitality industry (70.0 thsds CZK). In the 1st quarter of 2008, the aggregate productivity of work, expressed as GVA in constant prices per one worker, increased year on year by 3.2% and contributed to the growth of value added by 62.7%. The remaining share was due to the increase of the employment level. The productivity of work grew the most in industry.
- ***Increased coverage of domestic demand by domestic supply***

In the 1st quarter of 2008, the structure of aggregate demand as well as aggregate supply changed minimally year on year; domestic realized demand of total demand strengthened slightly (from 52.2% in the 1st quarter of 2007 to 52.3 in the 1st quarter of 2008), and domestic effective supply of total supply also strengthened (from 56.4% in the 1st quarter of 2007 to 56.6% in the 1st quarter of 2008). The surplus of domestic supply over domestic demand grew year on year and also the coverage of external supply by external demand grew, on which transactions in services had the decisive influence. On the supply side (resources), the volume of domestic effective supply grew by 3.7% and contributed to an increase of total supply by 1.8 percentage points. The remaining 5.5 percentage points to its growth of 7.3% belongs to external supply. The growth of the volume of domestic realized demand (use of resources) by 2.0%, and external demand by 12.5%, contributed to the increase of total demand by 0.9 percentage points, respectively 6.6 percentage points.
- ***Considerable slowdown of the growth of gross domestic income***

The movement of the prices of the internal and foreign market does not have an influence on the real expression of the year on year changes of GDP, whose spending components and export and import are reported in constant prices. However, in external economic relations there is price movement, which must be taken into consideration when calculating the income of natives expressed in real terms, i.e., the gross domestic income in constant prices. The GDP expressed in real terms shows physical volume, but the gross national income also expresses the relationship between export and import prices. In the 1st quarter of 2008, there was a devaluation of Czech domestic work on foreign markets. It brought a trade loss from the unfavorable development of the terms of trade in the amount of 3.9 billion CZK,

which, in comparison to the profit from favorable terms of trade of 11.9 billion CZK in the 1st quarter of 2007, represents a considerable change. Whereas in the 1st quarter of 2007, the GDP grew in real terms by 6.6% year on year, and the gross domestic income grew more (by 8.4% in real terms), which was the result of the slight growth of export prices along with a decline of import prices. In the 1st quarter of 2008, the GDP grew year on year in real terms by 5.2% and the gross domestic income by less (in real terms by 4.2%), which is a result of the larger decline of export prices than import prices and the inclusion of the influence of the trade loss from unfavorable terms of trade.

- ***Surplus of the level of gross national savings over the level of investments***

The value of gross disposable income of 853.7 billion CZK in the 1st quarter of 2008 was higher year on year by 66.9 billion CZK, i.e., by 8.5%, and grew less than the value of GDP, which was a result of the increased outflow of net primary income to abroad. Because expenditures for end consumption increased less than disposable income, the attained value of gross domestic savings of 258.8 billion CZK was higher year on year by 25.5 billion CZK, i.e., by 10.9%. The gross domestic savings exceeded expenditures on the creation of gross capital (in the 1st quarter of 2007 by 11.4% and in the 1st quarter of 2008 by 11.1%) and it was therefore not necessary to use external resources for their financing. The favorable balance of national current transactions with non-residents of 25.8 billion CZK for the 1st quarter of 2008 was higher by 2.0 billion CZK year on year. The level of gross domestic savings of 30.3% in the 1st quarter of 2008 was higher by 0.6 percentage points than last year and exceeded the level of investments by 3.0 percentage points.