

1. Summary

- Low price of oil and an accelerated drawing on the EU funds accompanied by easy monetary and fiscal policy assisted the GDP¹ growth by 4.3% in 2015, while it grew by 2% in the previous year. The economy prospered the most in the last eight years, the development of the Czech economy was extraordinary also in comparison to Europe. The performance rose by more than double rate of growth compared to the EU (+1.8%) and nearly the triple against the euro area (+1.5%). Based on the data available so far, only Malta exceeded the GDP dynamics of the CR among the EU countries. Especially the domestic demand and in that mostly investment (gross fixed capital formation) contributed to the growth of the economy, manufacturing and services then participated on the economic growth on the supply side to an equal extent. The growth was of the non-inflationary nature, it was supported by a higher dynamics of loans to households and businesses and it was accompanied by the improvement of external economic relations as well as the balance of state budget.
- By the end of the year, a slowdown of the Czech economy occurred, contrary to the strong growth of GDP throughout the whole year 2015 and high year-on-year dynamics in individual quarters, which presented at least 4% in each of them. GDP stagnated in the quarter-on-quarter comparison (being nevertheless negatively affected by the seasonal adjustment), gross value added increased by mere 0.5% (the least since the last quarter of 2013). Investment most likely reached the peak in Q3 following a nine quarters lasting quarter-on-quarter growth, since it already fell by 0.9% in the last quarter. Extraordinary influences working towards the growth of the Czech economy started to evaporate and the economy began to lose pace.
- Investment rose by 7.5% in the last year and shared in the GDP growth by +1.9 p.p.² It was heightened by non-financial corporations, government completing drawing of the EU money as well as households strengthening investment into the real estate. Final consumption expenditure of households increased by 2.9% (+1.4 p.p.), the addition to the final consumption expenditure of government was even the largest since 2003 (+3.4%, +0.7 p.p.). Change in inventories also affected the economy favourably (+0.6 p.p.), only the foreign trade balance worsened (-0.2 p.p.).
- Total branch performance based on the gross value added increased by 3.8% in 2015. Dynamically expanding manufacturing (+7.3%) contributed +1.9 p.p., services +1.8 p.p. Construction added +0.2 p.p., similarly to the preceding year, however agriculture, forestry and fishing not so, as their total contribution was zero. Mining and quarrying, energetics and water supply worked slightly against the growth of the Czech economy (in total -0.1 p.p.).
- Current account of balance of payments showed further improvement of external economic relations, despite worsening trade balance. It reached record levels and ended in surplus of 41.4 CZK bn (0.9% GDP). Direct investment inflow into the CR fell to 60.7 bn and it was the weakest since 2003. However, huge inflow of portfolio investment contrasted with it. Foreign investors purchased only government bonds themselves for 117.7 bn in the last year.
- Implicit GDP deflator fell to +0.7% in 2015, inflation gauged by the consumer price index development arrived at +0.3% and it was the lowest since 2003. Slump of the oil price on the world market and deflation in the manufacturing in the euro area affected the CR via the prices of imported goods (-1.9%) and impacted the industrial producer prices, which were lowered the most markedly in history (-3.2%). Agricultural producer prices declined by 6%, prices of market services stagnated. Only the prices of construction work were raised (+1.2%).
- The growth of the economy was improving the situation on the labour market. Employment in the concept of the national accounts was higher by 1.2% year-on-year, it reached in absolute terms together with year 2008 the highest level in history of the independent CR. Number of job vacancies climbed up already above 100 thousand during the summer. General unemployment rate was decreasing throughout the whole year and in December 2015, it ended on the lowest level (4.6%) since November 2008. The structural imbalance between demand for employees and supply on the part of job applicants was transferred into the lack of skilled workers and led into an accelerating growth of the average wage. It rose already by 3.9% year-on-year in Q4. In real terms, the average wage, thanks to the low inflation rate, increased by 3.8%, which represented the highest growth since the end of year 2009.

¹ The data regarding GDP, gross value added and their components are expressed in real terms and adjusted for seasonal and calendar effects.

² Contributions to GDP change not excluding the import for final use.



- Money supply in the economy expanded according to the monetary aggregate M2 by 6.9% year-on-year at the end of the year 2015 and it was caused only by the increase of the liquid funds. The rates of growth of long term loans to non-financial corporations, i.e. especially the loans for investment, were at least 10% in the whole H2, dynamics of the loans for house purchase to households in December (+8%) was the strongest since summer 2010. Enlarged demand of households for these types of loans arises from the low interest rates and is reflected in a marked rise of the real estate prices.
- Strengthening growth of the economy supported by a record drawing of resources from the EU funds assisted the state budget to the lowest deficit after year 2008. It amounted to 1.4% in relation to GDP and improved by 0.4 p.p. year-on-year. The share of investment in total expenditures of the state budget achieved a record 13.6%.