Overview of the Czech Economy

- GDP
- Labour Market
- Inflation
- Balance of Payments
- FDI
- Industry
- Foreign Trade
Main Characteristics of the Czech Economy

- Small, open economy, considerably dependent on foreign trade.
- Strong business and ownership relations to the EU.
- Big portion of manufacturing sector (27% of GDP in 2016).
- Long-term real convergence to the developed countries, in 2015 GDP per capita 87% of the EU average.
- Low inflation, price fluctuations caused by impacts of administrative measures.
- A low unemployment rate, the lowest in the EU in 2016.
- The current account in surplus since 2014 again, due to the growing trade balance with goods and services.
- The result of fiscal consolidation in 2016 was positive government balance and decrease of government debt.
Gross Domestic Product

- The Czech economy growth peaked in the second quarter of 2006 at y-o-y rate of 7.3%.
- In 2009, due to the global crisis, the domestic economy fell in the deepest recession in its recent history, GDP declined by 4.9%.
- Signs of recovery emerged in 2010, mainly due to the favourable development of foreign demand, but the growth slowed again in 2011.
- Subsequent recession compared to that of 2009 was milder, but longer (GDP declined by 0.8% in 2012 and by 0.5% in 2013).
- Restoring growth of 2.7% in 2014 and a significant acceleration to 4.5% in 2015 supported by one-off factors (fiscal stimulus, low oil prices).
- The growth of economy slowed to 2.4% in 2016 when one-off effect of European grants wore off.
Gross Domestic Product

GDP BY COUNTRIES
(y-o-y change in %)

Source: Eurostat, graph MIT, Department of Economic Analyses
Gross Domestic Product

GROSS DOMESTIC PRODUCT BY SECTORS
/share in %, 2016/

- Trade and Transportation: 18.4%
- Information: 5.0%
- Financial Activities: 4.0%
- Real Estate Activities: 8.5%
- Technical Activities: 6.7%
- Public Administration: 15%
- Other Services: 2.2%
- Services Total: 59.8%
- Industry: 32.3%
- Agriculture: 2.5%
- Construction: 5.4%

Source: CZSO, graph MIT, Department of Economic Analyses
Labour Market

HARMONISED UNEMPLOYMENT RATE
(in %)

Source: Eurostat, graph MIT, Department of Economic Analysis
Inflation

CONSUMER PRICE INDEX
(in %)

Source: CZSO, graph MIT, Department of Economic Analyses
Balance of Payments

In the years 1995-2005 the high current account deficit, caused by trade deficit, was offset by the inflow of foreign capital.

The pro-export nature of investment led to the shift of trade balance with goods into positive numbers (since 2005).

Current account, however, continued to remain in red numbers, mainly due to a negative balance of incomes (outflow of dividends, reinvested earnings).

Due to the favourable development of the balance of trade with goods and services, the current account is positive since 2014.

The inflow of foreign capital has been one of the main causes of external debt growth.
Balance of Payments

CURRENT ACCOUNT, TRADE BALANCE AND BALANCE OF SERVICES

Source: CNB, graph MIT, Department of Economic Analyses
External Debt

EXTERNAL DEBT
(in bn. CZK)

Source: CNB, graph MIT, Department of Economic Analyses
Foreign Direct Investment

INWARD FOREIGN DIRECT INVESTMENT
(in mil. USD)

Source: CNB, graph MIT, Department of Economic Analyses
Government Deficit/Surplus and Debt

GENERAL DEBT AND BALANCE OF BUDGET

Source: CZSO, graph MIT, Department of Economic Analyses
Industry

- Industrial production fell by 13.6% in 2009, then, after two years of growth, decreased again by 0.8% in 2012 and by 0.1% in 2013.

- Growth was restored in 2014 (5%) and roughly at the same pace continued in 2015 (4.6%) and slowed to 2.9% in 2016 mainly due to the high comparison base.

- The decisive share of the automotive industry (22% of overall industrial sales in 2016). Its growth has a positive effect on other supply sectors.

- Further development of the sector will largely depend on demand for vehicles, but also on the development of other industries in the partner countries (especially in Germany).

- We expect the growth rate of Czech industry around 3.5% in 2017.
INDUSTRIAL PRODUCTION
(y-o-y change in %)

Source: CZSO, graph MIT, Department of Economic Analyses
NEW INDUSTRIAL ORDERS
(y-o-y change in %)

Source: CZSO, graph MIT, Department of Economic Analyses
Foreign Trade (Cross-border concept)

- Trade balance with goods reached surplus of 487.1 billion CZK in 2016, which was by CZK 80.8 billion higher compared to previous year.
- Exports slowed growth rate to 2.4% y-o-y.
- Import slowed even vigorously, down to 0.3% y-o-y, mainly due to lower prices of energy commodities.
- Strong export reliance on manufacturing industry (56.3% share of machinery and transport equipment on total export in 2016) and on exports to EU28 (83.6% of total exports in 2016).
Foreign Trade (Cross-border concept)

FOREIGN TRADE
(current prices, exports and imports y-o-y changes in %, balance in CZK bn)

Source: CZSO, graph MIT, Department of Economic Analyses
Export by Commodity (%)

Source: CZSO, graph MIT, Department of Economic Analyses
Import by Commodity (%)

Source: CZSO, graph MIT, Department of Economic Analyses
Export by Countries (%)

Source: CZSO, graph MIT, Department of Economic Analyses
Import by Countries (%)

Source: CZSO, graph MIT, Department of Economic Analyses
The Czech Economy

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