

1. Summary

- Year 2013 marked the Czech economy by a continuing recession – year-on-year fall of GDP¹ by 0.9 % was the same as in year 2012. However, while at that time the final consumption expenditures and to a large extent also investment participated on the fall of GDP, in 2013 already these expenditures in total slightly increased year-on-year, while the fall of investment preserved in the comparable extent. The same depth of GDP fall in both recession years was thus influenced by the achieved result of the foreign trade. It affected the economic development in 2012 favourably, while in 2013 on the contrary contributed to its slow down by the year-on-year worsening of the imports and exports balance from Q1 and Q3.
- During 2013 the performance of the economy gradually improved. Year-on-year falls in the first three quarters mitigated (from -2.2 % via -1.6 % as far as -1 %) and in the last three months of the year the GDP already rose by 1.3 % compared to the same period of 2012. The results of both the first and last quarter were however affected by extraordinary influences on the supply side of the economy, connected to the collection of taxes. The strong quarter-on-quarter growth of GDP by 1.9 %, according to the Eurostat data highest in the EU 28, can also be attributed to this influence to a notable extent. Also for this reason in Q4 a recorded year-on-year growth of the Czech GDP (+1.3 %) was higher than in the EU (+1.1 %).
- In spite of adverse development of real wages the rate of growth of household consumption expenditures improved gradually during the year from the drop in the first half year up to 0.7 % year-on-year in Q4. Compared to the preceding quarter, people expended on consumption by 2.3 bn crowns more (+0.5 %). It contributed from 12 % to the quarter-on-quarter growth of GDP, which was higher by 18.3 bn crowns. Favourable foreign trade balance improved by 6.3 bn crowns added further 35 % to the increase of GDP, however the investment had the highest impact on the achieved quarter-on-quarter improvement of the Czech economy. The investment grew by 10.7 bn crowns in comparison to Q3 – higher amount was last recorded at the beginning of the boom period in 2008 – and thus out of the expenditure items it shared decisively (from 59 %) in the achieved quarter-on-quarter result of the Czech economy growth.
- Promising start of revival, which could be driven by investment, is also indicated by the data related to the lending in the business sector. In the last months of the year the real estate activities recorded notable growth especially of the long-term loans to the non-financial businesses visible roughly from August 2013. The dynamics of loans in foreign currencies for non-financial businesses markedly strengthened against crown loans. Balances of loans to non-financial businesses in total grew by 31.2 bn crowns for the period of August till December 2013, in that by 21.3 bn for long-term loans. Comparable addition of these loans to these businesses in foreign currencies arrived at 33.1 bn crowns, in that long-term 15.5 bn crowns. Unless there is a majority of financial investment, the growth of long-term loans can be a signal of future growth of gross fixed capital formation.
- Industry performance according to the gross value added fell for the whole economy by 0.8 %, year-on-year improvement occurred only in the financial activities thanks to the development in insurance companies and pension funds, further also in the other activities industry. In Q4 however the industry sector significantly strengthened (+3 %). A turn in demand boosted the production in the manufacturing industry in November and December to the rates of growth (+9.7 %, + 8.9 %) from the times of boom in the Czech economy during autumn of year 2007.
- Deflation character of imports – especially energy prices – significantly contributed together with the weak demand effects through the price chain to the lowering of the rate of growth of prices in the whole economy. Prices of imports fell by 0.2 % compared to year 2012, prices in the industry were with respect to its dynamics (0.8 %) the weakest since year 2009. The inflation rate reached 1.4 %, in the last quarter the prices were higher by 1.1 % according to the consumer price index year-on-year. November monetary intervention of the CNB had practically an immediate impact on the growth of prices of goods traded on the domestic market in euros. It affected the prices of the foreign trade more significantly by the increase of the import prices than the export prices, which supported the competitiveness of exporters.
- On the labour market, the intensive utilisation of „non-standard“ forms of employment contracts continued, thus helping the growth of the aggregate employment while simultaneously lowering the number of hours worked. Hourly labour productivity in the economy thus went up, productivity per employed person again decreased. Employees evidenced a mere stagnation of the average nominal wage, real wage fell for a second year in a row (in the non-business sector already four years in a row). Unemployment rate according to the LFSS has been rather stagnating.

¹ Unless stated otherwise, data related to GDP and its components are considered in real terms and adjusted for seasonal and calendar effects.

- External imbalance of the CR economy remained favourable in 2013 featuring the deficit of the current account of the balance of payments in the amount of 1.4 % of the nominal GDP.
- Balances of term deposits were again year-on-year weaker (-2 %), however the decrease was lower compared to year 2012 (-3.8 %). Consumption loans to population from banks again slightly revived after two years.
- Thanks to growing revenues of the state budget accompanied by a weak dynamics of expenditures, the deficit reached the best level since year 2009 and in relation to the nominal GDP it arrived at 2.1 %.