

Ministry of Finance
Department for Financial Policies

Macroeconomic Forecast

Czech Republic

July 2010

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Macroeconomic forecasts are prepared by the Financial Policy Department of the Czech Ministry of Finance with quarterly periodicity. It contains a forecast for current and following years (i.e. till 2011) and for some indicators an outlook for further 2 years (i.e. till 2013). As a rule, they are published in the second half of the first month of each quarter and are also available on the MoF websites at:

www.mfcr.cz/macroforecast

Any comments or suggestions that would help us to improve the quality of our publication and bring it closer to the needs of its users are welcomed. Please direct your possible comments towards the following e-mail address:

macroforecast@mfcr.cz

Note:

In some cases, published aggregate data do not match sums of individual items to the last decimal place due to rounding.

List of used abbreviations:

CA	current account of balance of payments
Const.p.	constant prices
Curr.p.	current prices
EA12	euro area containing 12 countries
EMU	European Monetary Union
ESA 95	European methodology of national accounting
EU27	EU countries containing 27 countries
GDP	gross domestic product
GG	general government
GFS	Government Finance Statistics methodology of the International Monetary Fund
NFC	non-fuel commodities
NPI	non-profit institutions
Per.	period
Perc. point, p.p.	percentage point
Prelim.	preliminarily
sa	seasonal adjustment
TI	transformation institutions
y-on-y terms.	year-on-year terms

Basic notions:

Prelim. (preliminary data)	data from quarterly national accounts, released by the CZSO, which have not been verified yet by annual national accounts
Estimate	prognosis of past numbers, which were not available on various grounds in time of elaborating the paper, e.g. previous quarter's GDP
Forecast	prognosis of future numbers, using expert and mathematical methods
Outlook	prognosis of more distant future numbers, using extrapolation methods mainly

Symbols used in the tables:

-	dash in the place of number means absence of the phenomenon
.	dot in the place of number means unavailability or unreliability of the figure
x, (space)	cross or space in the place of number means the entry is not possible from logical reasons

Deadline for data sources: 9th June 2010

Summary of the forecast

The world economy has been recovering from contraction caused by financial market crisis. Nevertheless due to plans of some EU countries to reduce high budget deficits, restoring thus confidence on government bond markets, recovery in the EU can slow down in future.

The Czech economy came out of recession a year ago and has been increasing its performance since the third quarter of 2009. Recovery nevertheless remains fragile and future development is still encumbered with considerable risks related especially with external environment.

A slight increase in real GDP by 1.6 % is assumed for 2010. Thanks to an increase in imports by our main trading partners, growth should be pulled by means of foreign trade mainly. Under current assumptions, the economy's growth should accelerate to 2.3 % in 2011.

Average rate of inflation is estimated at some 1.6 % in 2010 with growth of consumer prices accelerating to 2.5 % in 2011.

Consequences of lower economic activity are still seen on the labour market. After considerable growth of rate of unemployment (LFS) from 4.4 % in 2008, a maximum of some 7.6 % should be hit in 2010. After that, rate of unemployment should start falling slowly. Employment should decrease by 1.4 % in this year and grow moderately by 0.6 % in 2011. Wage bill should fall by 0.3 in this year. In 2011 wages and salaries could grow by 3.8 %.

Ratio of current account deficit to GDP should remain at favourable level with current account nearly balanced in 2010.

Table: **Main Macroeconomic Indicators**

		2006	2007	2008	2009	2010	2011	2009	2010	2011
		Forecast						Previous forecast		
Gross domestic product	<i>growth in %, const.pr.</i>	6,8	6,1	2,5	-4,1	1,6	2,3	-4,2	1,5	2,4
Consumption of households	<i>growth in %, const.pr.</i>	5,2	5,0	3,6	-0,2	-0,5	2,0	-0,2	-1,1	2,0
Consumption of government	<i>growth in %, const.pr.</i>	1,2	0,7	1,0	4,2	-1,8	-0,9	4,4	-2,5	-0,9
Gross fixed capital formation	<i>growth in %, const.pr.</i>	6,0	10,8	-1,5	-9,2	-4,3	2,5	-8,3	-3,7	2,5
Cont. of foreign trade to GDP growth	<i>p.p., const.pr.</i>	1,5	1,1	1,3	-0,6	1,9	0,6	-0,5	1,8	0,7
GDP deflator	<i>growth in per cent</i>	1,1	3,4	1,8	2,6	-0,2	1,3	2,7	0,2	1,1
Average inflation rate	<i>per cent</i>	2,5	2,8	6,3	1,0	1,6	2,5	1,0	1,5	2,3
Employment (LFS)	<i>growth in per cent</i>	1,3	1,9	1,6	-1,4	-1,4	0,6	-1,4	-0,6	0,1
Unemployment rate (LFS)	<i>average in per cent</i>	7,1	5,3	4,4	6,7	7,6	7,3	6,7	7,9	7,8
Wage bill (domestic concept)	<i>growth in %, curr.pr.</i>	7,9	9,4	8,7	-0,1	-0,3	3,8	-1,7	-0,1	4,3
Current account / GDP	<i>per cent</i>	-2,4	-3,2	-0,6	-1,0	-0,1	-1,0	-1,0	0,4	-0,5
Assumptions:										
Exchange rate CZK/EUR		28,3	27,8	24,9	26,4	25,5	24,6	26,4	25,5	24,6
Long-term interest rates	<i>% p.a.</i>	3,8	4,3	4,6	4,7	3,7	4,0	4,7	4,0	4,0
Crude oil Brent	<i>USD/barrel</i>	65	73	98	62	78	87	62	81	92
GDP in Eurozone (EA-12)	<i>growth in %, const.pr.</i>	2,9	2,7	0,5	-4,1	1,1	1,9	-4,1	1,1	1,9

A Forecast assumptions

The forecast was made on the basis of data, known as of 9 June 2010. No political decisions, newly released statistics or world financial or commodity markets developments could be taken into account after this date.

Data from the previous forecast from April 2010 are marked in italics. Data in the tables covering years 2012 and 2013 are indicative, outlining only the directions of possible developments and as such are not commented on in the following text.

Sources of tables and graphs: CZSO, CNB, Ministry of Finance of the Czech Republic. Eurostat, IMF, OECD, ECB, The Economist, own calculations.

A.1 External environment

Economic output

The world economy has been recovering with especially China, India and other Asian economies reporting strong growth. The recovery was helped by restored rise in the world trade and industrial production. However, improvement is uneven and its sustainability is not fully convincing. Euro-area growth is weak and complicated by financial market turbulences due to concerns over some member countries' indebtedness. Outlook is encumbered with many uncertainties.

US economy has been growing dynamically since the third quarter of 2009. QoQ growths reached gradually 0.6 %, 1.4 % and in the first quarter of 2010 GDP rose by 0.8 % (0.3 %). Rate of inflation fell to 2.0 % in May. Rate of unemployment has been stagnating since January, keeping close below 10 % and reaching 9.7 % in May. Stock markets were growing till the end of April when Dow-Jones broke 11,000 mark but fell again below this level amid nervousness in May and early June. Household consumption was rising by accelerating pace in the last three quarters with exports rising too. Current account deficit was falling till February with trade balance deficit increasing afterward due especially to growing prices of oil.

Weak growth in employment in private sector contributed to decline in optimistic expectations. Fed warned that increase in jobs will be very slow. Concerns are about withdrawal of federal stimulus (out of which about 75 % per cent has been spent), which can cause another decline in consumption. Retail sales fell surprisingly in May. It is also known that the current growth was strongly helped by replacement of company inventories. Policymakers thus face a delicate task, when and how to withdraw

stimulus measures with regard to the state of the economy and public finance.

Fed still keeps the band for key refinancing rate at 0-0.25 %. The dollar strengthened steeply against the euro, by as much as 17 % in early June in comparison with the beginning of the year.

Euro area's (EA12) GDP dropped by 4.1 % in 2009. Since the third quarter of 2009 EA12 economy has been growing, at first by 0.4 % in QoQ terms, in the fourth quarter it was close to stagnation with growth by 0.1 %. Growth in the first quarter of 2010 was also weak, it reached 0.2 % (*unchanged*).

Germany experienced strong recession in 2009 (decline by 4.9 %). Thanks to different structure and strong government interventions, French slump was milder, reaching 2.6 %. Strongest drop in GDP was seen as in some large economies (Germany, United Kingdom, Italy) as in some peripheral EU countries. Impacts of financial crisis were joined by structural problems of many countries. Recovery is uneven, in the euro area there will probably be a drop in GDP of Ireland, Greece and Spain and outside EA e.g. of Lithuania.

Also inflation hits euro area and the EU unevenly. YoY inflation of the euro area was 1.6 % in May, ranging from deflationary Ireland (-1.9 %) through Germany (1.2 %) to Greece (5.3 %). EA12 industrial production has been growing since the mid-2009, increasing by 9.5 % YoY in April 2010, in Germany by 13.9 %. At the same time, however, unemployment is still growing, reaching 10.1 % in EA12 in April. But in Germany it dropped to 7.1 % in April compared to 7.3 % in March.

Due to recession, euro area suffered from asymmetric shocks, exposing its insufficient internal homogeneity. It was demonstrated also by financial market

turbulences, triggered by doubts about Greece's solvency. EU together with the IMF therefore prepared a stabilization plan with debt guarantees to endangered member countries amounting to EUR 750bn.

Fiscal consolidation thus became the topic of the day. Many countries will have more restrictive fiscal policy from 2011. German government has prepared an austerity package, which is to reduce government spending by EUR 80bn over the next four years, and enforced austerity policy also on the G20 meeting, despite especially the US opposition.

In Germany a relatively strong turnaround to growth was recorded as soon as in the second quarter of 2009 but in recent two quarters growth is weak again. In the first quarter of 2010 it reached 0.2 % (0.3 %). Growth results from two contrasting factors, strong exports and weak domestic consumption. The latter started growing again in the first half of 2009 after years of falling and stagnating but has been falling again since the third quarter of 2009. On the contrary, leading indicators (Ifo index) and new orders indicate strong growth of industrial production in the nearest quarters and so outlook for growth of Germany's GDP improved in the short run.

Central European economies are overcoming downturn caused by dependence on exports especially to the EU.

In Slovakia dropout in GDP was stronger in 2009 than in EA12 average (4.7 %). It was caused mainly by high share of exports, cars in particular, and by reduction of foreign investment. Since the second quarter of 2009 the country shows high growths again, pulled by exports. Industrial production grew by 19.3 % YoY in March 2010. Rate of unemployment surpassed 14 %, a four-year high. It results obviously in decline of household consumption from 6 % of YoY growth in 2008 to -0.7 % in 2009. The new government will also struggle with unexpectedly high, almost 7 % public finance deficit.

Poland's economy was the only one in the EU to avoid recession, growing by 1.7 % in 2009, which was helped mainly by the size of domestic market, weakening of zloty and robust fiscal impulse. Growth was pulled by domestic demand, showing a considerable decline in investment. Rate of unemployment is growing slowly, reaching 9.9 % in April 2010. In 2009 public finance

deficit exceeded 7 % of GDP, which is almost twice as much as in the previous year.

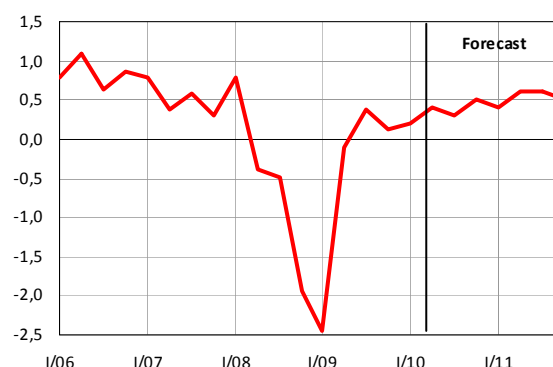
Our forecast is based on the key assumption that no more major shocks will occur on financial markets. For 2010 global recovery is expected with considerable differences among individual regions of the world.

US economy is expected to grow by 2.8 % (2.4 %) in 2010. For 2011 growth is estimated at 3.2 % (2.8 %). The estimate is rather conservative as recovery may be dampened by slow decline in unemployment.

In EA12 economy, growth of GDP is estimated at 1.1 % (*unchanged*) in 2010 and at 1.9 % (*also unchanged*) in 2011. Risk is seen especially in further financial sector turbulences and in high unemployment. When choosing the *exit strategy*, the key question is, to what extent can export replace household consumption.

Graph A.1.1: Growth of GDP in EA12

QoQ growth in % (adjusted for seasonal and working day effects)

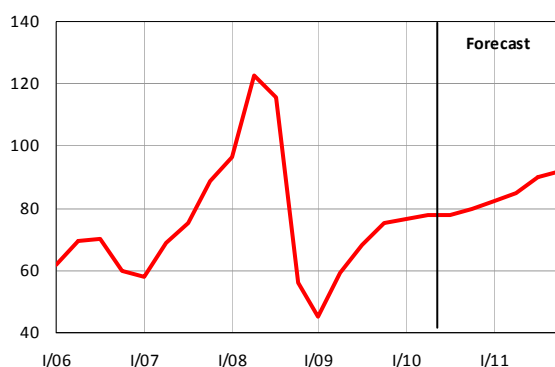


Commodity prices

Average price of Brent oil reached USD 76.7 per barrel in the first quarter of 2010 and in the second-quarter it is estimated at USD 78 (*USD 80*). The price was extremely volatile in recent months, ranging by as much as USD 4 from day to day. Such movements undoubtedly reflect in particular perception of economic recovery or doubts about it due to current EU developments and also effect of dollar strengthening. Consumption is still „two-speed“ as its decline in advanced economies is outweighed with demand in China and other countries.

Estimate of Brent oil price is being lowered slightly to USD 78 per barrel (*from USD 81*). In the medium run growth to values around USD 90 is considered probable. Risks of forecast are seen as balanced.

Graph A.1.2: **Dollar Prices of Brent Crude Oil**
in USD per barrel



Global financial markets

Developments on the world financial markets have been recently characterized by increased volatility. Debt and liquidity crisis on the EA periphery affects stock and bond prices and lies also behind a significant weakening of the euro. Uncertainty regarding situation in the banking sector of some EA countries (Spain, Portugal) have not helped calm financial markets. Risks further intensify by concerns about impact of announced austerity fiscal measures on economic growth.

Course of Greece-related events gathered speed in the end of April. Negative revision of Greece's deficit for 2009 to 13.6 % of GDP was followed a day later, i.e. on 23 April, by official request of Greece for EA/IMF financial aid. On 27 April S&P cut Greece's rating to junk status. In early May the total size of aid package was increased from original EUR 45bn to EUR 110bn. Greece received the first tranche (EUR 20bn) in mid-May, providing of further financial injections is nevertheless conditioned by implementation of fiscal measures and structural reforms, agreed by Greece with EA/IMF. Under preliminary assessment from mid-June, adopted measures are being implemented as scheduled. For the time being, Greece remains „cut off“ from the financial markets, whose attention is now paid to other EA countries with fiscal imbalances – Italy, Ireland, Portugal and Spain.

Contagion spill-over from Greece to other PIIGS countries accelerated much due to downgrading of Portugal's and Spain's rating in late April. CDS spreads of government bonds widened rapidly, spreads between yields of 10-year government bonds of PIIGS countries and yields of German Bunds were growing, stock indices reacted by sharp drop and the euro weakened against the other key world currencies.

Growing tensions on financial markets triggered a radical policy response in second May week.

EU presented two-component European Financial Stabilisation Mechanism (EFSM), aimed to ensure financial stability in Europe. The first part of EFSM represents widening of the current system of medium-term help to EU countries' balances of payments. All EU member states now have as much as EUR 60bn, these means are implicitly ensured by EU budget. The second part – a more important one – is represented by means of a special body (European Financial Stability Facility), which will be able to borrow up to EUR 440bn on the markets. Only EA countries can draw funds from the EFSF but at the same time act as guarantors for ESFS debt, in proportion to their shares in paid-off ECB capital. Participation in ESFS must be approved in individual countries and the duty to give a guarantee is conditioned by approval in those countries that together represent at least 90 % share in EFSF (consequently, approval by Germany, France, Spain and Italy is needed).

Also the ECB responded to market developments. In order to ensure a proper functioning of monetary-policy transmission mechanism, ECB Governing Council adopted following measures. Till the end of September at least, three-month refinancing operations should be carried out at fixed rate with full allotment, one 6M refinancing operation was carried out in mid-May (although under previous plans the last one should have been carried out in March) and also Fed temporary dollar swap lines were reopened¹. ECB then presented Securities Markets Programme (SMP), under which it conducts interventions in the secondary public and private debt securities markets in order to calm situation on the market. Purchases of securities under this programme are sterilised so that monetary policy stance would not be affected with regard to price stability.

First reactions to the above-mentioned policy measures were positive but the markets calmed down only temporarily. A leap in decline of spreads between yields of 10-year government bonds of PIIGS countries and yields of German Bunds, accompanied by fast narrowing of CDS spreads, was replaced by restored growth of both indicators. Besides concerns about sustainability of the current recovery in the light of planned fiscal restriction, it could have been helped also by other factors such as uncertain situation in the

¹ Fed agreed upon these swap lines also with other central banks (BoE, BoJ, Bank of Canada, Swiss National Bank).

banking sector of some EA countries or by the fact that participation in ESFS is subject to authorisation process.

With regard to considerable complexity of mutual relations among financial sector, government and other sectors of real economy, and also with regard to frequency, with which currently new information

appears (often of quite fundamental character) it is nearly impossible to say how intensive an impact of external developments on the Czech economy will be. But it is still true that external environment represents source of risks for the domestic economy, which needs to be monitored closely.

Table A.1.1: **Real Gross Domestic Product** – yearly
growth in %, sa data

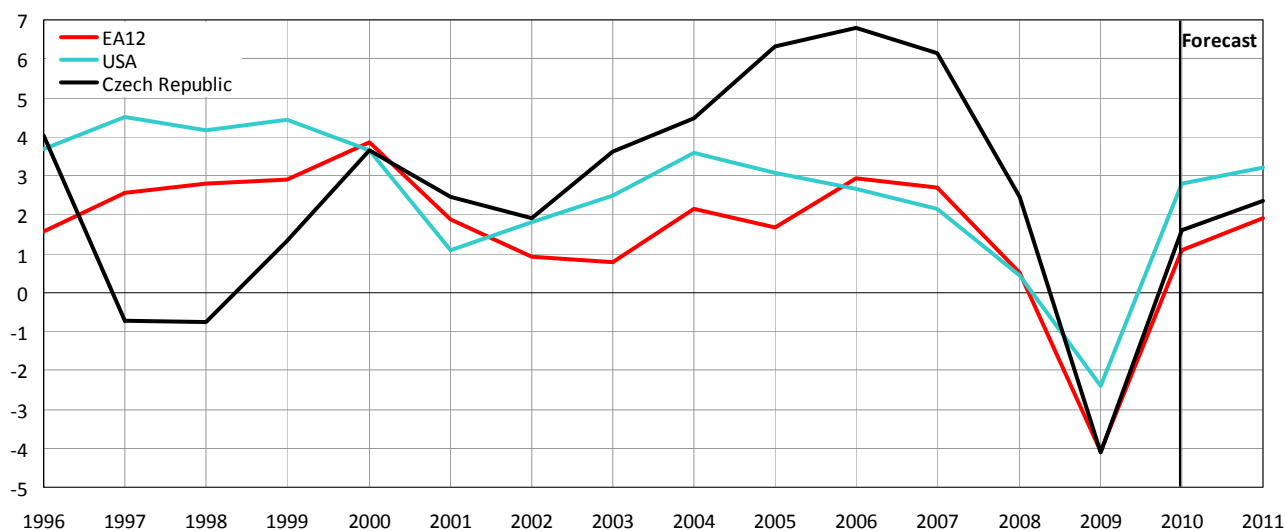
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									<i>Forecast</i>	<i>Forecast</i>
EU27	1,3	1,4	2,5	2,0	3,2	2,9	0,7	-4,2	1,1	2,0
EA12	0,9	0,8	2,1	1,7	2,9	2,7	0,5	-4,1	1,1	1,9
Germany	0,0	-0,2	1,2	0,8	3,2	2,5	1,3	-4,9	1,5	1,9
France	1,0	1,1	2,5	1,9	2,2	2,4	0,2	-2,6	1,3	1,9
United Kingdom	2,1	2,8	3,0	2,2	2,9	2,6	0,5	-4,9	1,2	2,1
Austria	1,6	0,8	2,5	2,5	3,5	3,5	2,0	-3,6	1,1	1,6
USA	1,8	2,5	3,6	3,1	2,7	2,1	0,4	-2,4	2,8	3,2
Hungary	4,4	4,3	4,9	3,5	4,0	1,0	0,6	-6,3	0,9	1,9
Poland	1,4	3,9	5,3	3,6	6,2	6,8	5,0	1,7	2,9	3,5
Slovakia	4,6	4,8	5,0	6,7	8,5	10,6	6,2	-4,7	3,5	3,9
Czech Republic	1,9	3,6	4,5	6,3	6,8	6,1	2,5	-4,1	1,6	2,3

Table A.1.2: **Real Gross Domestic Product** – quarterly
growth in %, sa data

		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
							<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>
EU27	QoQ	-2,5	-0,2	0,3	0,2	0,2	0,4	0,4	0,5
	YoY	-5,0	-5,1	-4,3	-2,3	0,5	1,1	1,2	1,6
EA12	QoQ	-2,5	-0,1	0,4	0,1	0,2	0,4	0,3	0,5
	YoY	-5,0	-4,9	-4,1	-2,1	0,6	1,1	1,0	1,4
Germany	QoQ	-3,5	0,4	0,7	0,2	0,2	0,4	0,5	0,6
	YoY	-6,7	-5,8	-4,8	-2,2	1,5	1,5	1,2	1,7
France	QoQ	-1,4	0,2	0,3	0,5	0,1	0,3	0,4	0,4
	YoY	-3,9	-3,2	-2,6	-0,4	1,2	1,2	1,4	1,2
United Kingdom	QoQ	-2,6	-0,7	-0,3	0,4	0,3	0,5	0,5	0,6
	YoY	-5,3	-5,9	-5,3	-3,1	-0,2	1,0	1,8	1,9
Austria	QoQ	-2,2	-0,5	0,7	0,3	0,0	0,4	0,3	0,4
	YoY	-3,9	-4,6	-3,2	-1,7	0,5	1,4	1,0	1,1
USA	QoQ	-1,6	-0,2	0,6	1,4	0,8	0,5	0,5	0,6
	YoY	-3,3	-3,8	-2,6	0,1	2,5	3,2	3,1	2,4
Hungary	QoQ	-2,9	-1,4	-0,6	0,2	0,9	0,3	0,2	0,2
	YoY	-6,1	-7,2	-6,8	-4,6	-0,8	0,9	1,7	1,6
Poland	QoQ	0,5	0,6	0,6	1,1	0,5	0,6	0,7	0,8
	YoY	1,8	1,4	1,4	2,8	2,8	2,9	3,0	2,7
Slovakia	QoQ	-7,3	0,8	1,2	1,7	0,8	0,5	0,4	0,4
	YoY	-4,4	-5,1	-5,2	-3,9	4,5	4,2	3,4	2,1
Czech Republic	QoQ	-3,8	-0,5	0,5	0,5	0,5	0,4	0,4	0,4
	YoY	-3,6	-4,7	-4,4	-3,2	1,1	1,9	1,8	1,7

Graph A.1.3: Real Gross Domestic Product

growth in %, sa data



Graph A.1.4: Real Gross Domestic Product – Central European new member state economies

growth in %, sa data

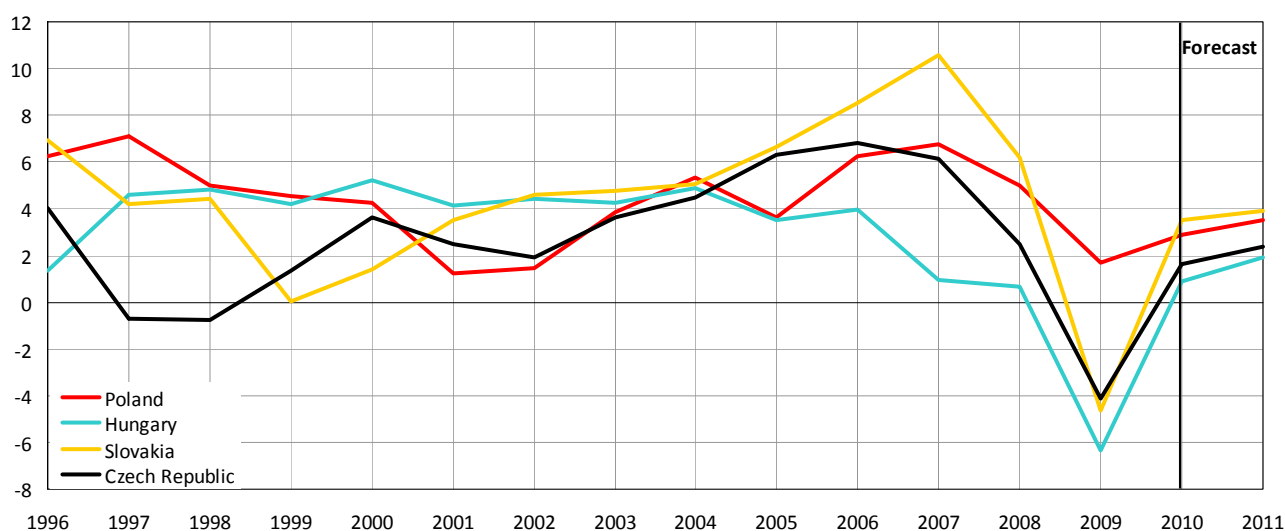


Table A.1.3: Prices of Commodities – yearly

spot prices

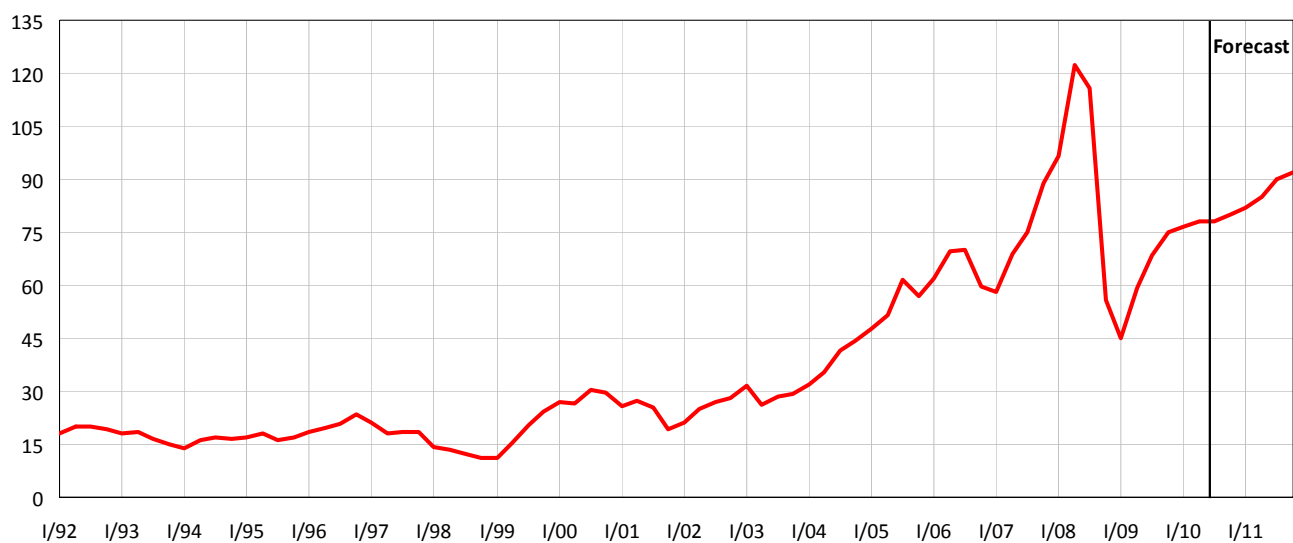
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
		Forecast									Forecast
Crude oil Brent	USD/barrel	25,3	28,8	38,3	54,4	65,4	72,7	97,7	61,9	78	87
	growth in % prev. y.	3,6	14,0	33,0	42,0	20,1	11,2	34,4	-36,7	26,3	11,6
Crude oil Brent index (in CZK)	2005=100	63,5	62,4	75,6	100,0	113,4	113,3	127,7	90,5	119	131
	growth in % prev. y.	-10,9	-1,7	21,1	32,3	13,4	-0,1	12,7	-29,1	31,1	10,9
Wheat	USD/t	148,5	146,1	156,9	152,4	191,7	255,2	326,0	223,5	.	.
	growth in % prev. y.	17,1	-1,6	7,3	-2,8	25,8	33,1	27,7	-31,4	.	.
Wheat price index (in CZK)	2005=100	133,2	113,0	110,5	100,0	118,7	142,0	152,1	116,7	.	.
	growth in % prev. y.	0,8	-15,2	-2,3	-9,5	18,7	19,6	7,1	-23,3	.	.

Table A.1.4: **Prices of Commodities – quarterly**
spot prices

		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2 Estimate	Q3 Forecast	Q4 Forecast
Crude oil Brent	USD/barrel	45,0	59,1	68,4	75,0	76,7	78	78	80
	růst v %	-53,5	-51,8	-40,8	34,2	70,4	32,0	14,0	6,7
Crude oil Brent index (in CZK)	2005=100	73,0	88,6	93,7	100,7	110	119	121	123
	růst v %	-42,2	-40,5	-34,0	22,2	50,4	34,7	29,3	22,3
Wheat price	USD/t	232,0	248,0	209,0	205,0	196,0	.	.	.
	růst v %	-43,6	-28,4	-34,3	-10,1	-15,5	.	.	.
Wheat price index (in CZK)	2005=100	134,7	133,0	102,4	98,4	100,4	.	.	.
	růst v %	-30,0	-11,7	-26,7	-18,1	-25,5	.	.	.

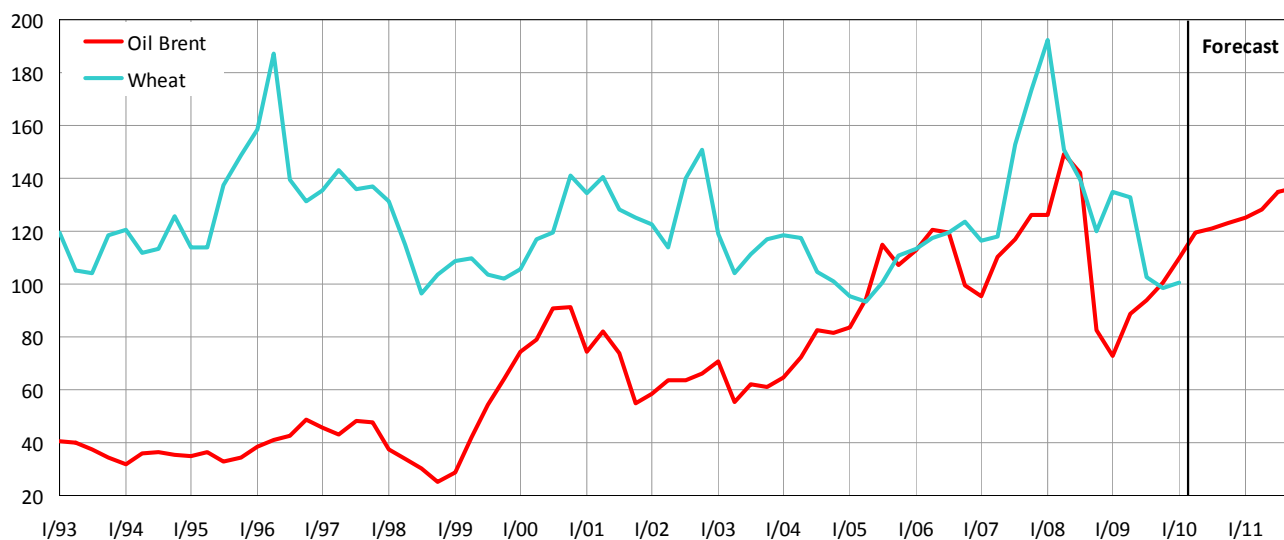
Graph A.1.5: **Dollar Prices of Oil**

in USD/barrel



Graph A.1.6: **Koruna Indices of World Commodity Prices**

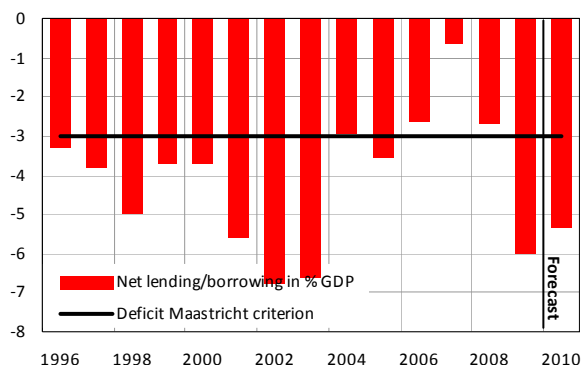
index 2005 = 100



A.2 Fiscal policy

In previous years, performance of government institutions sector was positively influenced in particular by the peak phase of the economic cycle. However, economic recession has been bringing worsening of outcomes since 2008, revealing again structural deficiencies on the expenditure side of the general government.

Graph A.2.1: Net lending/borrowing
in % of GDP



Under preliminary CZSO data, general government deficit reached 5.9 % of GDP in 2009. Compared to the October notification its estimate thus improved by 0.7 % of GDP. More favourable result stemmed in particular from higher accrual tax receipts than expected in previous forecasts. Nevertheless, these preliminary data are still affected by certain rate of uncertainty especially as regards tax receipts, in particular corporate income tax, and also gross fixed capital formation.

With regard to unfavourable general government performance, debt reached 35.3 % of GDP by the end-2009. The current unsustainable fiscal policy setting increases the risk that debt will continue growing significantly in future.

On the basis of data from the beginning of the year, the MoF prepared an estimate of autonomous development in 2010, notifying general government deficit of 5.9 % of GDP.

Nevertheless, fiscal target of 5.3 % of GDP remains valid for 2010. To achieve it, the government is set to enforce additional budgetary corrections. It allows especially for reassessment of spending within privatization account means and, in comparison with the original plan, for higher involvement of property income in general budget revenues. Depending on

further development of the deficit, the government is also prepared to propose further tying of expenditures in individual budgetary chapters.

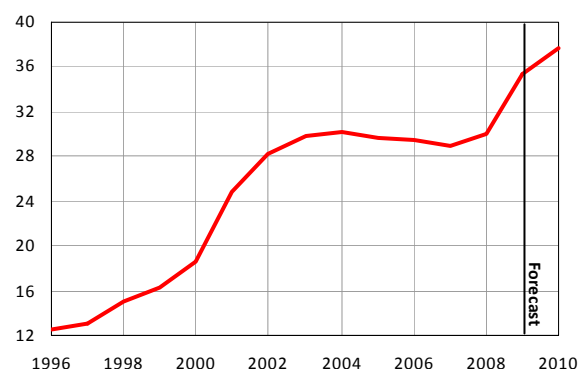
Spring notifications were conceived by the MoF as an “audit” of the general government and updating of the current fiscal plans based on new data from beginning of the year. Comparison of original forecasts with the outcome of spring notifications makes it possible **to identify the size of necessary additional adjustments to achieve the planned target of general government deficit.**

Worsening of the notified deficit in comparison with the Convergence Programme data was caused especially by lower estimate of tax receipts reflecting their collection in the beginning of the year, by lower estimate of revenues from property income, by higher-than-expected expenditures of local budgets indicating as yet rather unwillingness to adjust their spending to expected receipts, and by updating of the size of tied expenditures in individual budgetary chapters.

Although first information on the size of collection of taxes and social security contribution does not correspond fully to expected increase of revenues, this collection in the beginning of the year was still influenced by expiring employer-paid contribution credit and also could reflect partial advance buying of products before an increase in VAT rates.

When assessing fiscal policy results in 2009 and 2010 it is necessary to say that expenditure frameworks valid for these years were set as early as in 2007, i.e in the period of the highest boom and were only minimally changed afterward. Consequently, their setting partially reflected the then optimistic expectations of future economic developments.

Graph A.2.2: Government debt
in % of GDP



Also this year the general government debt should reflect development of deficit and reach 37.6 % of GDP. Nevertheless growth of debt is slightly hindered this year by involvement of funds gained by means of bond issuance in past years.

For future years this forecast allows for fiscal consolidation as it is contained in the Convergence

Programme from January 2010 and thus for fulfilment of the Maastricht criterion for government deficit in 2013. The consolidation needs to be regarded as necessary minimum, especially as regards CR commitments toward the EU.

Table A.2.1: Net lending/borrowing and debt

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
										<i>Prel.</i>	<i>Forecast</i>
General government balance	<i>bill. CZK</i>	-132	-167	-170	-83	-107	-84	-23	-99	-214	-196
General government debt	<i>bill. CZK</i>	585	695	768	848	885	948	1024	1105	1282	1383
	<i>growth in %</i>	44,2	18,9	10,5	10,4	4,4	7,1	8,0	7,9	16,1	7,9
	<i>% GDP</i>	24,9	28,2	29,8	30,1	29,7	29,4	29,0	30,0	35,3	37,6
Interest derivatives ¹⁾	<i>bill. CZK</i>	0,0	0,0	-0,5	-0,5	-0,2	-0,4	-0,7	-1,8	-1,3	-1,1
EDP B.9 ²⁾	<i>bill. CZK</i>	-132	-167	-171	-83	-107	-85	-24	-100	-215	-197
	<i>% GDP</i>	-5,6	-6,8	-6,6	-3,0	-3,6	-2,6	-0,7	-2,7	-5,9	-5,3
Interest expenditure	<i>% GDP</i>	1,0	1,2	1,1	1,2	1,2	1,1	1,1	1,1	1,3	1,7
Primary balance	<i>% GDP</i>	-4,6	-5,5	-5,5	-1,8	-2,4	-1,5	0,5	-1,7	-4,6	-3,6
One-off measures	<i>% GDP</i>	0,0	-0,1	-0,3	-0,7	-1,3	-0,2	-0,3	-0,1	0,2	0,1
Cyclical balance	<i>% GDP</i>	0,0	-0,5	-0,5	-0,5	-0,2	0,4	1,1	0,8	-1,2	-1,4
Structural balance	<i>% GDP</i>	-5,6	-6,2	-5,9	-1,7	-2,1	-2,8	-1,5	-3,4	-5,0	-4,1
Fiscal effort	<i>% GDP</i>	-1,8	-0,6	0,3	4,1	-0,4	-0,7	1,3	-1,9	-1,6	0,9

Note: Government debt consists of the following financial instruments: currency and deposits, securities other than shares excluding financial derivatives and loans. Government debt means total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. The nominal value is considered to be an equivalent to the face value of liabilities. It is therefore equal to the amount that the government will have to refund to creditors at maturity.

¹⁾ Hedging instruments used to avoid interest rate change risk.

²⁾ General government net lending/borrowing relevant for fulfilment of Maastricht convergence criteria. Compared to net lending/borrowing from national accounts, this item is adjusted for interest rate derivatives.

Note : The notified deficit for 2009 was 5.9 % of GDP, the notified debt stood at 38.1 % of GDP.

A.3 Monetary policy and interest rates

Monetary policy

To secure price stability, the CNB makes use of **inflation-targeting** regime. Inflation target is generally defined as the YoY increase in the CPI and is set at **2.0 %** (with tolerance band of ± 1 p.p.) from January 2010. Inflation target is set as medium-term with a monetary-policy horizon of 12-18 months.

2W repo rate, which was decreased by 0.25 p.p. to 0.75 % in the second quarter of 2010, is the primary instrument of monetary policy.

ECB left the key refinancing rate at 1.00 % in the second quarter of 2010 and introduced again some measures to support financial markets. Band for key refinancing rate of the US Fed remained at 0-0.25 %.

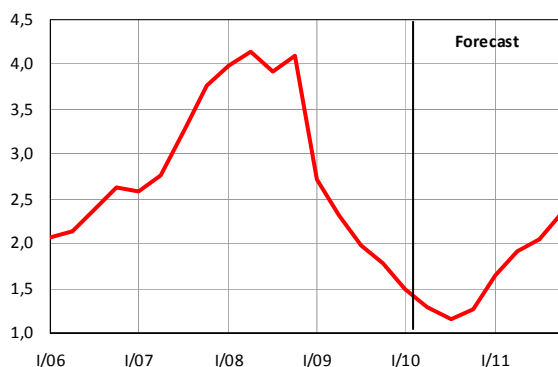
Interest rates

3-month **PRIBOR** rate reached 1.5 % in the first quarter 2010. In the second quarter it is expected to fall up to 1.3 % due to May cut in 2W repo rate.

With regard to expected economic growth, exchange rate and assumption regarding external markets development, a gradual growth of PRIBOR rate is expected approximately since the end of 2010. Average value of PRIBOR 3M is estimated at 1.3 % (1.5 %) in 2010 and at 2.0 % (2.2 %) in 2011.

Graph A.3.1: **PRIBOR 3M**

in %



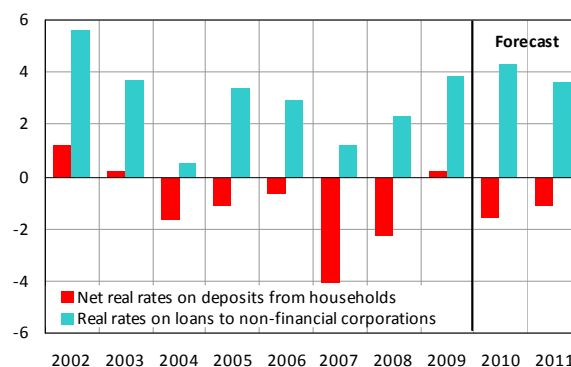
Average yields to maturity of 10-year government bonds stagnated at 3.9 % in the first quarter of 2010, being lower than average EA yields (see Graph A.3.7). They are influenced by expectations of future development of interest rates and also by foreign yields reflecting economic and fiscal situation of European countries. Taking into account assumed development of these factors, a gradual increase of yields of Czech government bonds is assumed since the end of 2010. Average yields could thus reach 3.7 % (4.0 %) in 2010 and 4.0 % (*unchanged*) in 2011.

Interest rates from deposits and credits respond, as a rule, to changes in inter-bank rates with some delay. Moderate growth of these rates is therefore expected in early 2011. Average level of nominal interest rates from credits to non-financial businesses is assumed to reach 4.1 % (4.2 %) in 2010 and 4.4 % (4.6 %) in 2011. As regards nominal rates of household deposits, they are expected to reach on average 1.1 % (1.3 %) in 2010 and 1.3 % (1.4 %).

Average real rates from household deposits after taxation should fall to -1.6 % (-1.2 %) in 2010, with regard to higher growth of prices and major decline in nominal rates compared to the previous forecast, and to -1.1 % (-0.9 %) in 2011. Average real interest rates from credits to non-financial businesses are expected to rise to 4.3 % (3.5 %) in 2010 and to fall slightly to 3.6 % (3.7 %) in 2011.

Graph A.3.2: **Average Real Rates on Credits and Deposits**

rates on credits deflated by end-of-year final domestic use deflator, rates on time/savings deposit (net of 15% income tax) deflated by end-of-year CPI growth, in % p.a.



Interest rates from new credits to households increased to 15.1 % in the first quarter of 2010 compared to the fourth quarter of 2009. Growth of rates was caused by change in structure of newly provided credits, whose volume grew in QoQ terms, although total stock of provided credits fell. Average interest rate from new credits to non-financial businesses decreased slightly to 4.1 % in the first quarter (without change in the structure the decline would be more considerable).

Graph A.3.3: **Interest Rates on New Loans to Households and Non-Financial Corporations**

in % p.a.

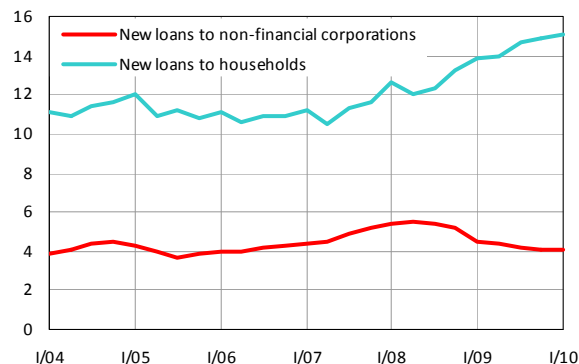


Table A.3.1: **Interest Rates** - yearly
average interest rates in per cent p.a.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									Forecast	Forecast
Repo 2W CNB (end of year)	2,75	2,00	2,50	2,00	2,50	3,50	2,25	1,00	.	.
Main refinancing rate ECB (end of year)	2,75	2,00	2,00	2,25	3,50	4,00	2,50	1,00	.	.
Federal funds rate (end of year)	1,25	1,00	2,25	4,25	5,25	4,25	0,25	0,25	.	.
PRIBOR 3M	3,55	2,28	2,36	2,01	2,30	3,09	4,04	2,19	1,3	2,0
Government bond yield to maturity (10Y)	4,94	4,12	4,75	3,51	3,78	4,28	4,55	4,67	3,7	4,0
Interest rates on loans to non-financial corpor.	5,82	4,57	4,51	4,27	4,29	4,85	5,59	4,58	4,1	4,4
Interest rates on deposits from households	2,06	1,40	1,33	1,24	1,22	1,29	1,54	1,37	1,1	1,3
Real rates on loans to non-financial corporations ¹⁾	5,65	3,72	0,47	3,38	2,95	1,22	2,33	3,89	4,3	3,6
Net real rates on deposits from households with agreed maturity ²⁾	1,19	0,18	-1,64	-1,13	-0,63	-4,10	-2,26	0,17	-1,6	-1,1

¹⁾ Deflated by domestic demand deflator.

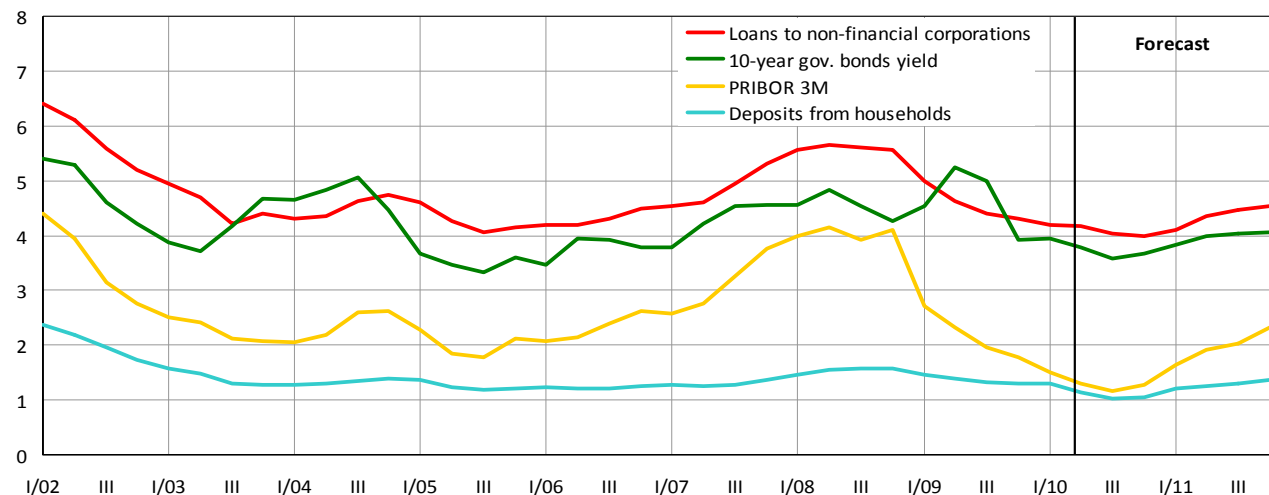
²⁾ Net of 15 % income tax, deflated by CPI.

Table A.3.2: **Interest Rates** - quarterly
average interest rates in per cent p.a.

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					Estimate	Forecast	Forecast	
Repo 2W rate CNB (end of period)	1,75	1,50	1,25	1,00	1,00	0,75	.	.
Main refinancing rate ECB (end of period)	1,50	1,00	1,00	1,00	1,00	1,00	.	.
Federal funds rate (end of period)	0,25	0,25	0,25	0,25	0,25	0,25	.	.
PRIBOR 3M	2,71	2,32	1,97	1,77	1,50	1,3	1,2	1,3
Long term interest rates – 10-year government bonds yield to mat.	4,55	5,24	4,99	3,91	3,94	3,8	3,6	3,7
Interest rates on loans to non-financial corporations	4,99	4,63	4,40	4,32	4,19	4,2	4,0	4,0
Interest rates on deposits from households	1,47	1,40	1,33	1,30	1,30	1,1	1,0	1,1

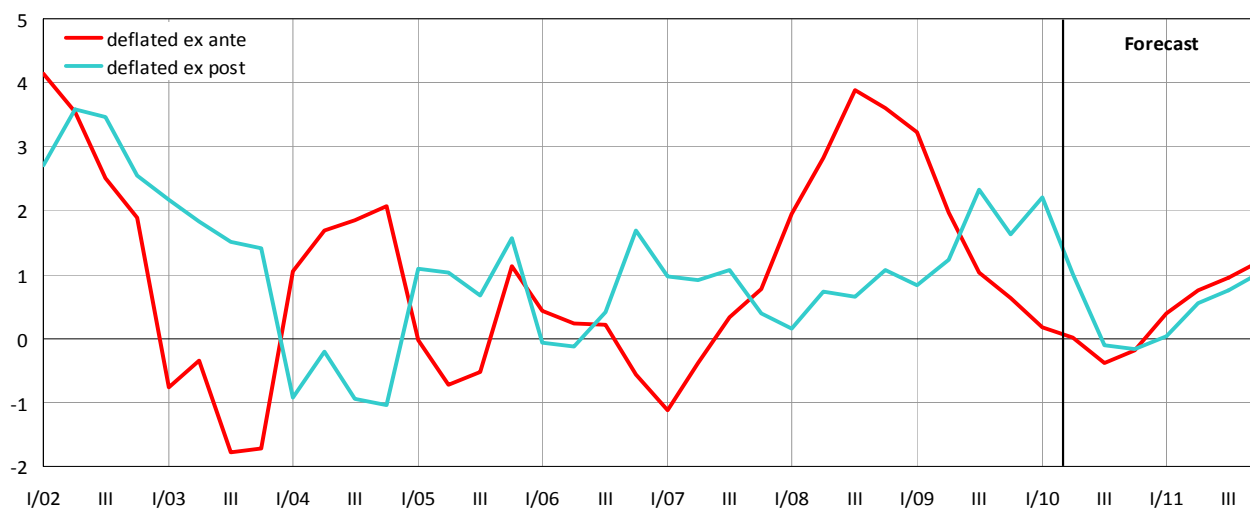
Graph A.3.4: **Interest Rates**

in % p.a.



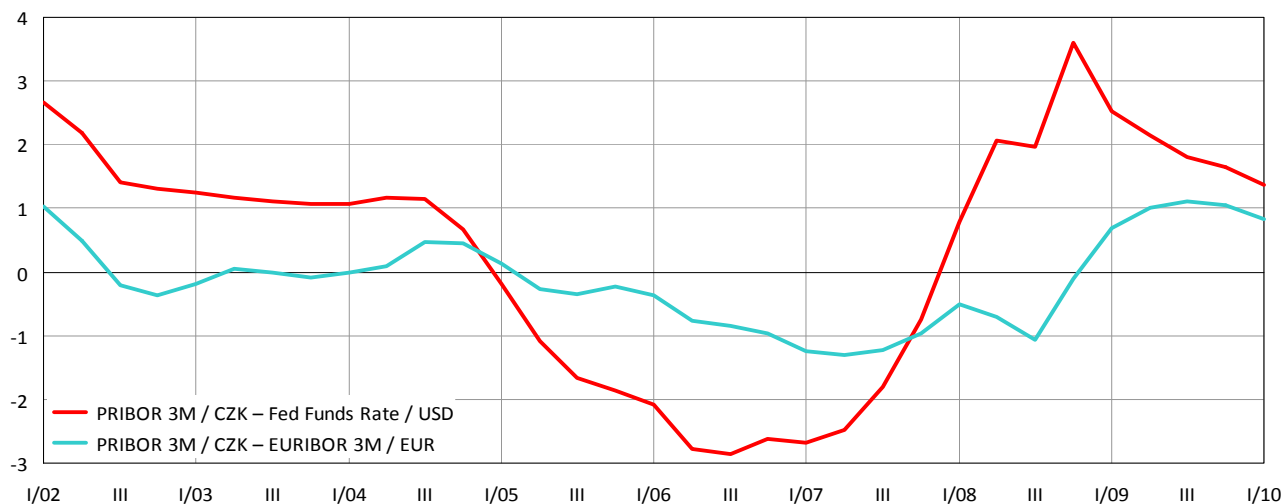
Graph A.3.5: **Real PRIBOR 1Y**

deflated ex post and ex ante by final domestic use deflator, in % p.a.



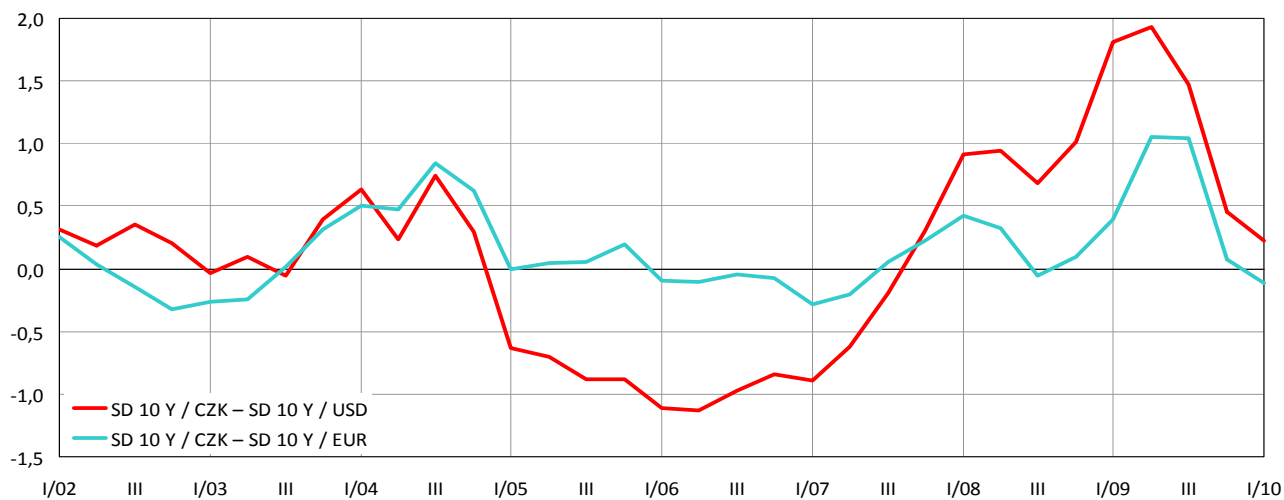
Graph A.3.6: **Short - Term Interest Rate Spread**

in percentage points



Graph A.3.7: **Long - Term Interest Rate Spread**

government bonds, in percentage points



A.4 Exchange Rates

Flexibility of the **exchange rate** helps the economy to respond to unfavourable shocks. Weakening of the exchange rate of the koruna against the euro up to two-year minimum of CZK/EUR 28.46 in February 2009 contributed to abatement of exporters' problems when external demand had weakened sharply in global economic crisis. Average value of the exchange rate in May 2010 was CZK/EUR 25.67, which was by 2.5 % less than the trend value.

Adopted scenario assumes that within the horizon of the forecast to 2011 the exchange rate will hover below the long term trend values, keeping the tendency to moderate nominal and real appreciation.

Graph A.4.1: Exchange Rate CZK/EUR

quarterly averages

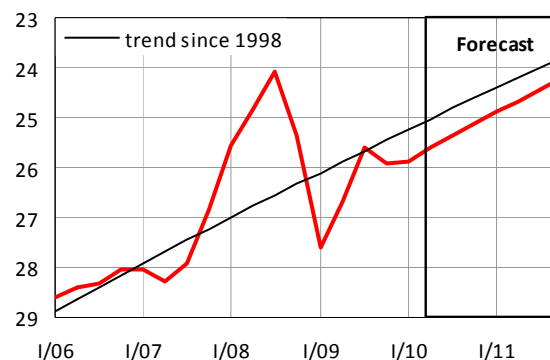


Table A.4.1: Exchange Rates – yearly

				2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											Forecast	Forecast	Outlook
											Outlook	Outlook	Outlook
Nominal exchange rates:													
CZK / EUR				31,90	29,78	28,34	27,76	24,94	26,45	25,5	24,6	23,7	22,8
	average												
	appreciation	growth in %		-0,2	7,1	5,1	2,1	11,3	-5,7	3,8	3,8	3,8	3,8
CZK / USD				25,70	23,95	22,61	20,31	17,03	19,06	19,8	19,6	18,9	18,2
	average												
	appreciation	growth in %		9,8	7,3	5,9	11,3	19,2	-10,6	-3,6	0,7	3,8	3,8
NEER				94,1	100,0	105,1	107,9	120,4	116,2	118	122	127	131
	average of 2005=100												
	appreciation	growth in %		0,7	6,2	5,1	2,6	11,6	-3,5	1,5	3,4	3,8	3,8
Real exchange rate ¹⁾													
to EA12				95,4	100,0	104,2	107,4	119,1	114,1	117	121	126	131
	average of 2005=100												
	appreciation	growth in %		2,4	4,8	4,2	3,1	10,9	-4,2	2,9	3,3	4,1	3,6

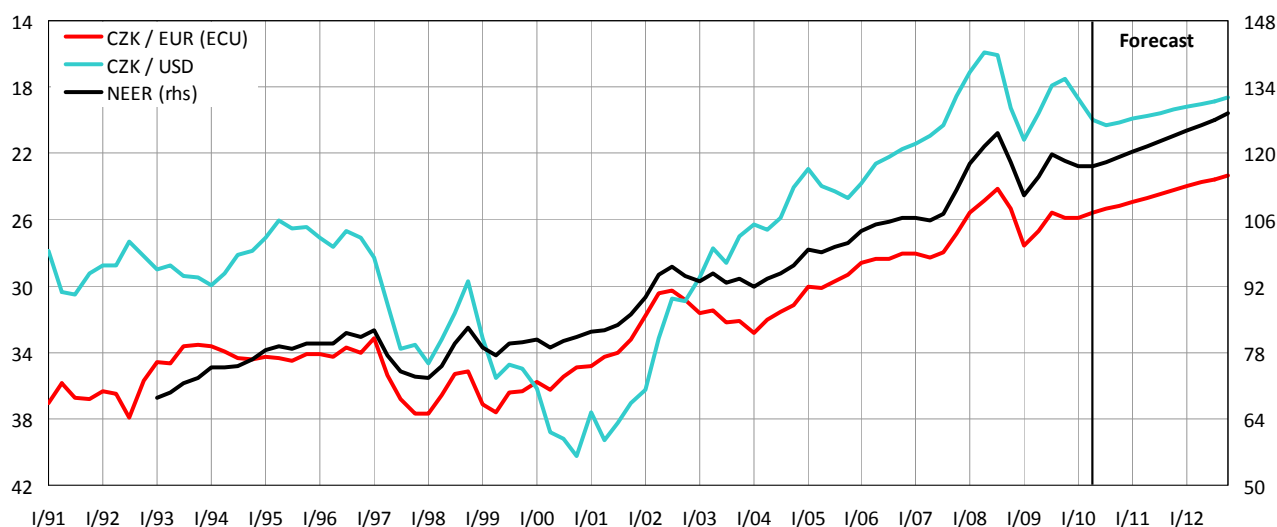
¹⁾ Deflated by GDP deflators.

Table A.4.2: Exchange Rates - quarterly

				2009				2010			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate Forecast Forecast			
Nominal exchange rates:											
CZK / EUR				27,60	26,68	25,60	25,91	25,87	25,6	25,4	25,1
	appreciation	growth in %		-7,4	-6,9	-5,9	-2,2	6,7	4,2	0,9	3,1
CZK / USD				21,21	19,59	17,90	17,53	18,71	20,0	20,3	20,1
	appreciation	growth in %		-19,5	-18,9	-10,4	9,8	13,3	-2,0	-11,8	-12,8
NEER				111,1	115,1	119,8	118,5	117,3	117	118	119
	average of 2005=100										
	appreciation	growth in %		-5,7	-5,2	-3,6	0,4	5,5	1,9	-1,5	0,5
Real exchange rate to EA12				109,9	113,2	116,9	116,9	114,7	116	118	121
	average of 2005=100										
	appreciation	growth in %		-5,7	-4,9	-4,6	-1,2	4,4	2,1	0,9	3,7

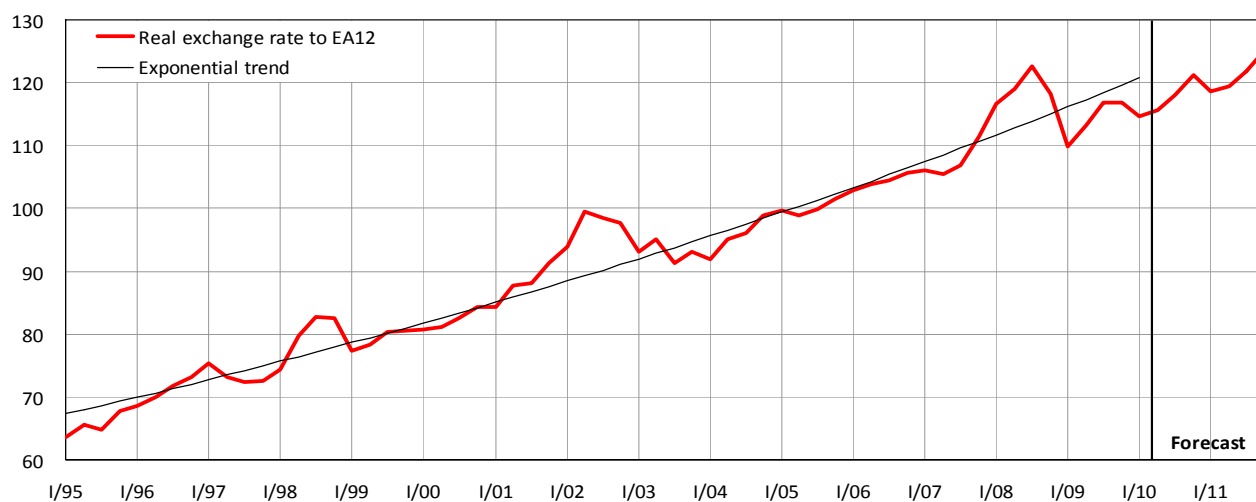
Graph A.4.2: Nominal Exchange Rates

quarterly average, average 2005 = 100 (rhs)



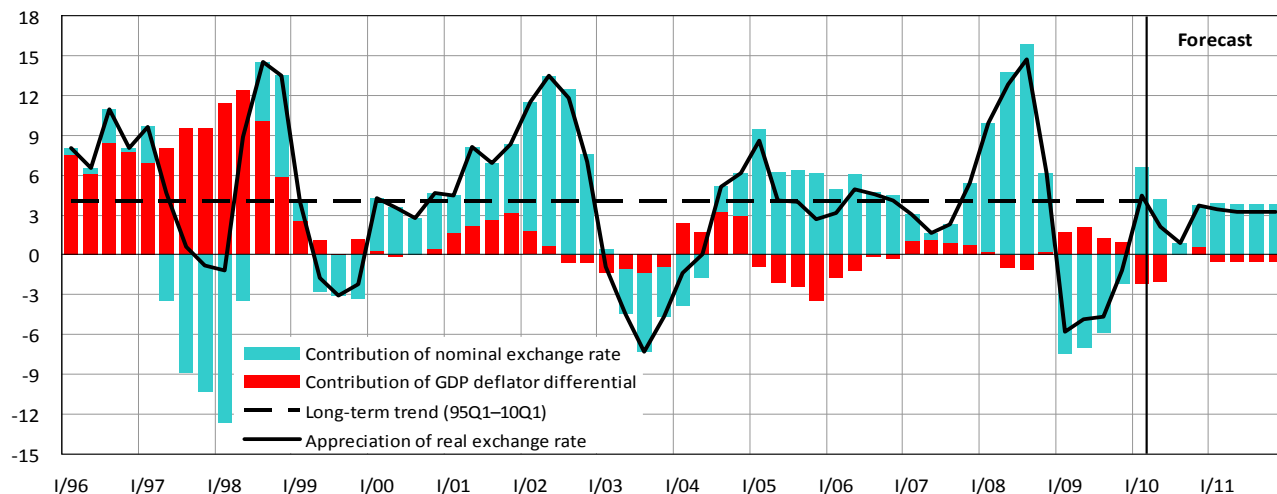
Graph A.4.3: Real Exchange Rate to EA12

quarterly average, deflated by GDP deflators, average 2005 = 100



Graph A.4.4: Real Exchange Rate to EA12

deflated by GDP deflators, YoY growth, in percentage points



A.5 Structural policies

Overall orientation of structural policies will depend on the programme statement of new coalition government arising from May 2010 elections to the Chamber of Deputies of the Parliament of the Czech Republic.

On its meeting held on 7 June 2010, the Czech government adopted the **National Targets Set on the Basis of Key Targets of „Europe 2020“ Strategy**. Following goals should be achieved to 2020:

- Achievement of total rate of employment (20-64 years) of 75 %;
- Rise in R&D investment to 2.7 % of GDP;
- Rise in share of university-educated people aged 30-34 years to 32 %;
- Reduction in number of pupils leaving schools prematurely to 5.5 %.

The government also decided that specific goals relating to social inclusion and economies in consumption of primary energy sources would be set in the next stage of discussions with the European Commission. Specific measures to meet the set goals will be discussed in the following months.

Business environment

On 21 May 2010 a law became valid that should help **reduce administrative burden of entrepreneurs**. The act amends nine legal regulations and is aimed to simplify and make the existing legislation clearer and improve entrepreneurs' conditions to conduct their business activities. Changes cover especially consumer protection, entering the business and technical legislation.

As of 1 June 2010 an amendment became valid postponing introduction of **basic registers of public administration** by one year at least. The amendment extends the pilot operation of the system to 30 June 2012, setting detailed terms and conditions for transition to full operation of the entire system. Basic registers include registers of population, persons, real estate and territorial identification. They are aimed to make functioning of offices more effective and reduce administrative burden of the population. After launching of the system, one principle will apply to all institutions: every office must at first try to search all required information in one of the above-mentioned

registers and only if it cannot be found there, the office may apply to natural or legal person.

Financial markets

On 15 June 2010 **amendment to the Act on Banks** came into effect, increasing from 31 December 2010 the maximum amount of deposit insurance from EUR 50,000 to EUR 100,000.

Taxation

On 19 April 2010 the Czech government approved **theses for harmonization of tax base for personal income tax with assessment bases for social and health insurance**. The proposal is to reduce administrative burdens, simplify the existing system by means of unifying of circle of persons paying insurance, and unify the base for insurance calculation.

President signed the act on **tax treatment of government bonds determined exclusively for natural persons** on 9 June 2010. Interest yields from these bonds will be taxed by 15 % rate.

Labour market

Strengthening of economic activity was the aim of 2009 amendments to the **Act on Employment and Act on Assistance in Material Poverty**, increasing interconnection of job-seekers' material-security claims with system of assistance in material poverty and introducing stricter rules of active employment policy. The period of support in unemployment was shortened by one month while unemployment benefit was increased – for the first two months it amounts to 65 % of average net monthly earnings reached in the last job, for the next two months to 50 % and for the remaining part of period of support to 45 %.² Changes were made also as regards material-poverty assistance benefits: now they are paid in the form of vouchers for purchase of goods from 35 % at least and 65 % at most.

As regards **health insurance** system, in 2009 payment of sickness benefits was abolished for the first three calendar days of sickness and payment of the benefits by the employer was introduced for the fourth

² Anti-crisis measure that was to increase unemployment benefits to 80 % in the first two months and to 55 % for the remaining part of period of support or to 85 % in case of re-qualification, never became effective.

through fourteenth day. The measure was to eliminate sick pay abuse and to reach lower sickness rate. Changes were accompanied with a cut in **social insurance rate** by 1.0 p.p. Also contributions paid by employees were cut by 1.5 p.p. with rate of physical persons' income tax and tax allowances being preserved. For 2010 reduction thresholds of healthcare insurance were increased and its size was temporarily cut to single 60 % for the whole period of support time. Parameters of calculation algorithm are on the same level from early June 2010 as in 2009. By the amendment to healthcare insurance also the three-day waiting period was abolished for costs of nursing.

An increase in earned net income of persons with children is to be ensured by higher tax allowance/bonus per child in 2010. The size of children's allowances thus gets back to the same level as before anti-crisis package. In connection with consolidation measures of the state budget, **ceilings for social and healthcare security contributions³** were increased for 2010 to 72-multiple of average monthly wage.

Measures of the **first stage of pension reform** came into effect in 2010, extending gradually the statutory retirement age up to 65 years for men and to 62-65 years for women (depending on the number of brought-up children). The amendment extends necessary time of insurance to 35 years and excludes time of study from the category of alternative periods of insurance. Among structural measures, also **strengthening of motivation of older persons** to stay on the labour market is important. Motivation includes more severe cuts in old-age pensions in case of early retirement, and growth of percent term of old-age pension in case of concurrence of employment and drawing a full or partial pension.

³ Maximum assessment base for healthcare insurance will remain preserved after 2010.

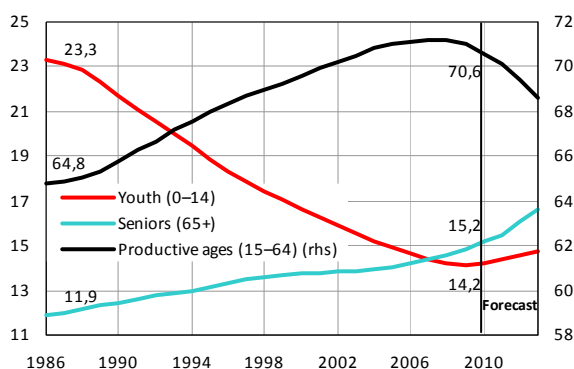
A.6 Demographic trends

Under preliminary data, number of population of the CR grew by 0.4 % in 2009, surpassing the 10.5 mil. threshold for the first time since the mid-forties of the past century.

Despite falling demand for foreign workforce, positive balance of migration kept on relatively high level of 28 thousand people, representing the most important factor of an increase in population although its intensity fell considerably in comparison with 2008.

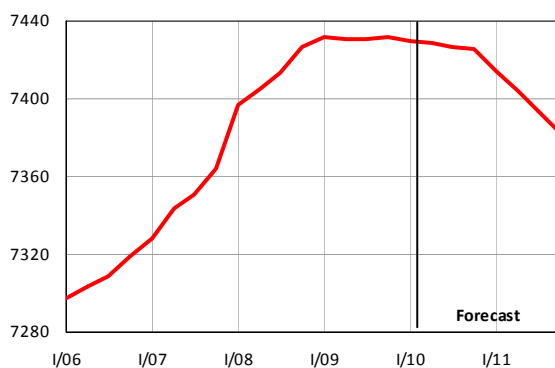
Natural increase of population reached 11 thousand persons, which is 4 thousand less compared with 2008. These characteristics suggest that demographic situation hovers between trajectories of high and mean variant of the CZSO Demographic Projection.

Graph A.6.1: **Groups by Age**
structure in per cent



In general it can be said that from economic viewpoint the Czech population has still a very favourable structure with high share of working-age population (15 to 64 years), which however obviously reached its maximum at the turn of 2008 and 2009.

Graph A.6.2: **Czech Population from 15 to 64 years**
quarterly averages, in thousands



Also under assumptions of high variant of the projection, net immigration of maximum 40 thousand persons a year can be still expected, which does not outweigh domestic factors worsening slightly the demographic structure.

In our calculations, however, stagnation or following moderate decline in the number of working-age population should be more than compensated by effects within the age structure of the workforce when structural share of age groups with high or growing participation increases. Further rise in labour market flexibility could help create situation when the Czech economy will not suffer from lack of available workforce.

On the other hand, the projection confirms progressing **population ageing process**. For the first time in Czech history, number of people younger than 15 years was lower than number of people in the age category 65+ in 2007. In future the number and share of seniors in the population will grow thanks to demographic structure and further continuation of intensive process of lengthening of average life expectancy. Structural share of inhabitants older than 65 years in total population, which in early 2009 amounted to less than 15 %, should rise to nearly 20 % by early 2020.

Graph A.6.3: **Life Expectancy**
in years

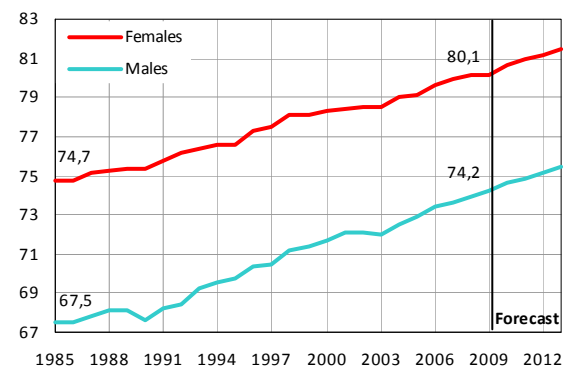


Table A.6.1: Demography
in thousands of persons, end-of-year

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
						Estimate	Forecast	Forecast	Outlook	Outlook
Population (January 1)	10 211	10 221	10 251	10 287	10 381	10 468	10 507	10 560	10 613	10 665
growth in %	0,1	0,1	0,3	0,4	0,9	0,8	0,4	0,5	0,5	0,5
Age structure (January 1):										
(0–14)	1 554	1 527	1 501	1 480	1 477	1 480	1 494	1 516	1 545	1 574
growth in %	-2,2	-1,8	-1,7	-1,5	-0,2	0,2	1,0	1,5	1,9	1,8
(15–64)	7 234	7 259	7 293	7 325	7 391	7 431	7 414	7 407	7 365	7 319
growth in %	0,5	0,3	0,5	0,4	0,9	0,5	-0,2	-0,1	-0,6	-0,6
(65 and more)	1 423	1 435	1 456	1 482	1 513	1 556	1 599	1 636	1 702	1 772
growth in %	0,4	0,8	1,5	1,8	2,1	2,9	2,7	2,3	4,0	4,1
Old-age pensioners (Jan 1)	1 933	1 965	1 985	2 024	2 061	2 102	2 145	2 185	2 221	2 256
growth in %	0,6	1,7	1,0	2,0	1,8	2,0	2,0	1,9	1,6	1,6
Old-age dependency ratios (Jan 1 in %):										
Demographic ¹⁾	19,7	19,8	20,0	20,2	20,5	20,9	21,6	22,1	23,1	24,2
Under current legislation ²⁾	32,8	32,8	33,0	33,3	33,4	33,7	34,2	34,5	34,8	35,2
Effective ³⁾	40,9	41,5	41,3	41,6	41,5	41,8	43,5	44,6	45,0	45,4
Fertility rate	1,226	1,282	1,328	1,438	1,497	1,492	1,51	1,53	1,54	1,55
Population increase	9	31	36	94	86	39	53	53	53	52
Natural increase	-10	-6	1	10	15	11	13	13	13	12
Live births	98	102	106	115	120	118	118	118	117	116
Deaths	107	108	104	105	105	107	106	105	105	104
Net migration	19	36	35	84	72	28	40	40	40	40
Immigration	53	60	68	104	78	40	.	.	.	.
Emigration	35	24	33	21	6	12	.	.	.	.

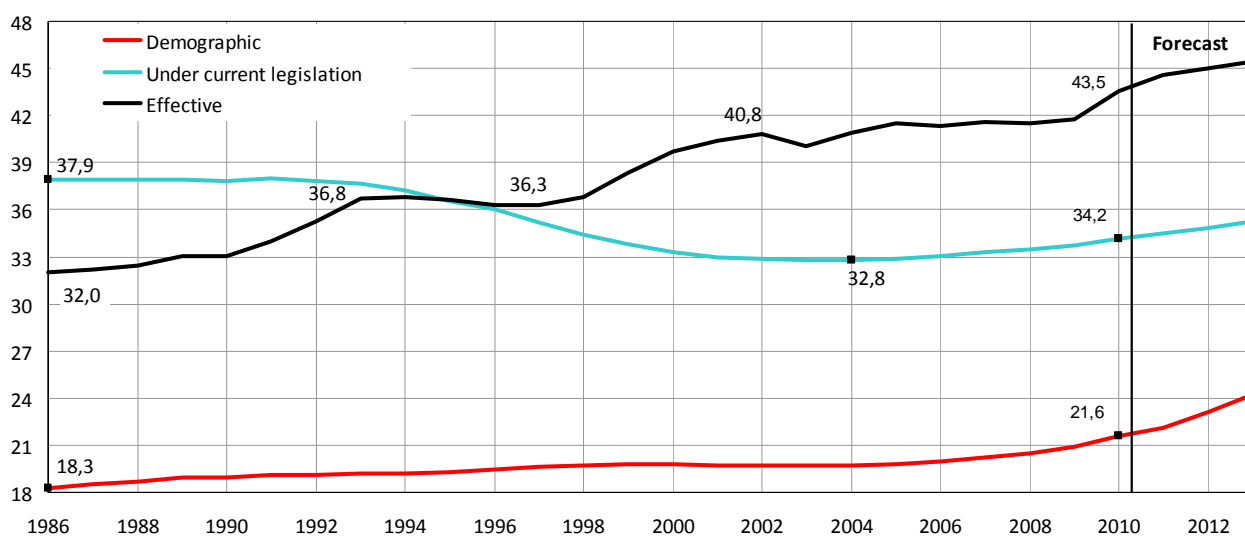
¹⁾ Demographic dependency: ratio of people in senior ages (60 and more) to people in productive ages (20 - 59).

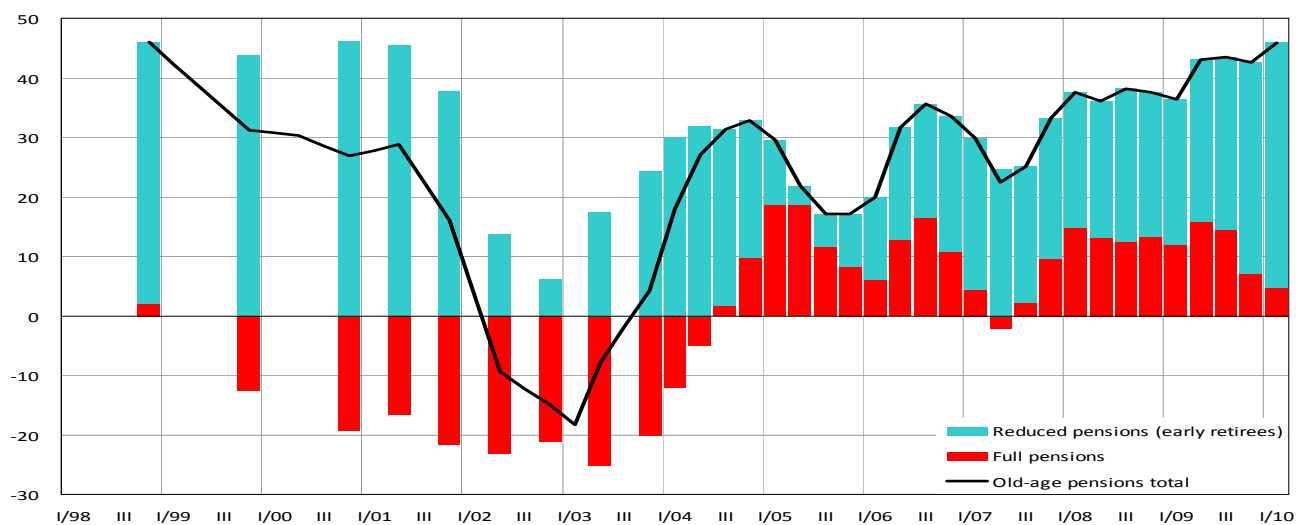
²⁾ Dependency under current legislation: ratio of people above the official retirement age to the people over 19 below the official retirement age.

³⁾ Effective dependency: ratio of old-age pensioners to working people.

Graph A.6.4: Dependency Ratios

definitions – see Table A.6.1, in %



Graph A.6.5: **Old-Age Pensioners***absolute increase over a year in thousands of persons*

B Economic cycle

B.1 Position within the economic cycle

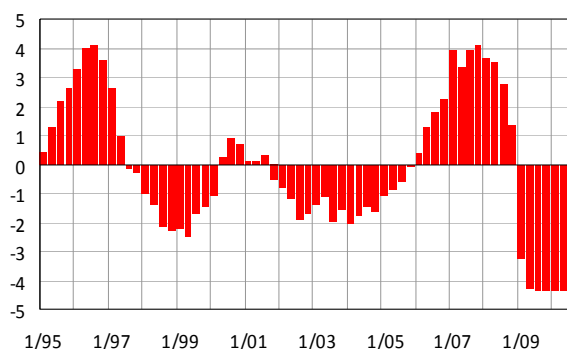
Potential product (PP), specified on the basis of calculation by means of the Cobb-Douglas production function, indicates the level of GDP achieved with average use of production factors. Growth of PP expresses possibilities for long-term sustainable growth of the economy free of imbalances. It can be broken down into contributions of the labour force, capital stock, and total factor productivity. The output gap identifies the cyclical position of the economy and expresses the relationship between GDP and PP. The concepts of potential product and output gap are used to analyze economic development and to calculate the structural balance of the general government.

Under current conditions, however, when steep changes in the level of economic output have occurred, it is very difficult to distinguish the influence of deepening of the negative output gap from slowdown in PP growth. Results of these calculations thus display high volatility and should be treated very cautiously.

Sources of tables and graphs: CZSO, CNB and own calculations.

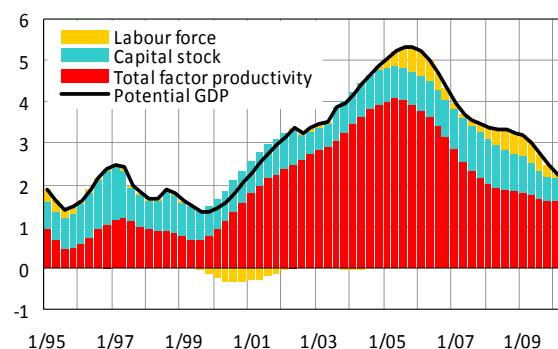
Graph B.1.1.: Output Gap

in % of potential GDP



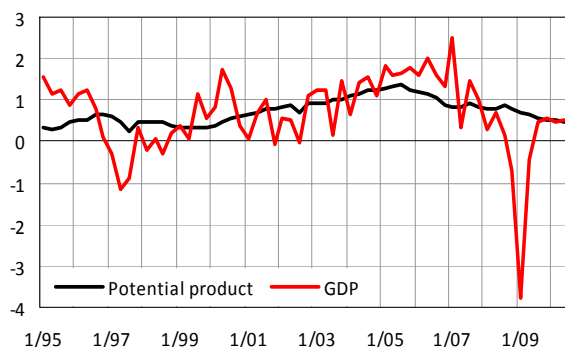
Graph B.1.2: Potential Product Growth

in %, contributions in percentage points



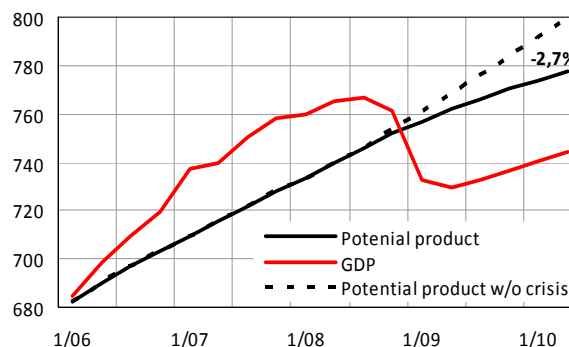
Graph B.1.3: Potential Product and GDP

QoQ growth in %

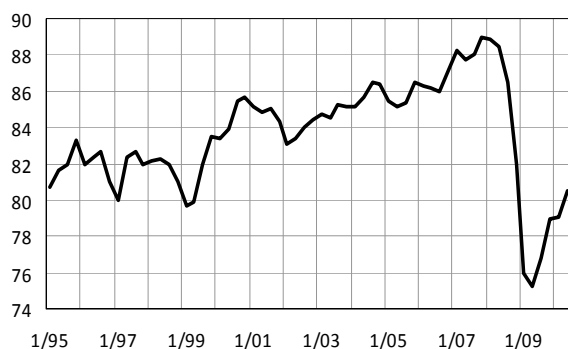
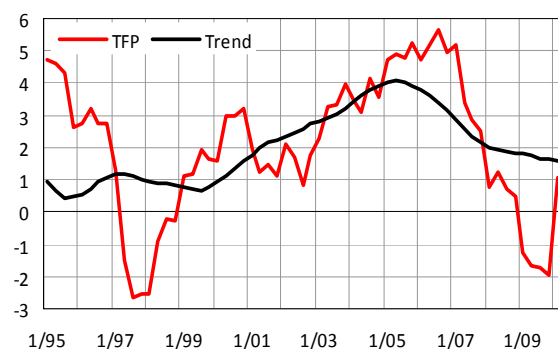


Graph B.1.4: Levels of Potential Product and GDP

in bill. CZK of 2000



Note: „Potential product w/o crisis“ in graph B.1.4 is a hypothetical level of PP steadily growing from Q4/08 by the average QoQ growth of years 2001–2007.

Graph B.1.5: **Utilisation of Capacities in Industry**
in %Graph B.1.6: **Total Factor Productivity**
YoY growth in %Table B.1: **Output Gap and Potential Product**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 Q1-2
Output gap	<i>per cent</i>	-0,1	-1,4	-1,5	-1,6	-0,6	1,3	3,7	2,8	-4,1	-4,3
Potential output	<i>growth in per cent</i>	2,6	3,3	3,7	4,5	5,2	4,8	3,7	3,3	2,9	2,2
Contributions:											
TFP	<i>percentage points</i>	2,0	2,5	3,0	3,7	4,0	3,5	2,5	1,9	1,7	1,6
Fixed assets	<i>percentage points</i>	0,8	0,7	0,7	0,8	0,8	0,9	1,1	1,0	0,7	0,5
Participation rate	<i>percentage points</i>	-0,4	-0,1	-0,2	-0,2	0,2	0,2	-0,2	0,0	0,2	0,0
Demography ¹⁾	<i>percentage points</i>	0,2	0,2	0,2	0,2	0,2	0,3	0,3	0,4	0,2	0,0

¹⁾ Contribution of growth of working-age population (15–64 years)

Economic recession, which hit the Czech economy at the turn of 2008 and 2009, resulted in an emergence of a deeply negative **output gap**. According to current calculations, it stagnates at some –4.3 % since end of recession, which indicates the lowest utilisation of economic potential in the post-transformation period.

Deep negative output gap reflects in the economy by low utilisation of production capacities in the industry (80.0 % in the first quarter of 2010 compared to long-term average of 84 %), high rate of unemployment (8 % in the first quarter under LFS compared to long-term average of 5.6 %), reduction in the number of vacancies and, last but not least, deep general government deficit.

Total factor productivity (TFP) is the PP component that was hit the most. Economic problems led to YoY decline in TFP by 2.1 %. In the first quarter of 2010, however, a radical turn occurred, with TFP growing by 1.0 %, QoQ, which considerably exceeds its trend growth. The latter shows signs of stability at some 1.6 %, year-on year.

Deep dropout in investment activity led to lowering of contribution of **capital stock** from 1.1 p.p. in the fourth quarter of 2007 to expected 0.5 p.p. in the second quarter of 2010. **Supply of labour**, measured as ratio of labour force to the number of population aged 15-64, which in 2009 paradoxically accelerated its growth, stagnated more or less in YoY terms after withdrawal of stimulation measures in the beginning of 2010.

Year-on-year growth of **potential product** fell probably to 2.9 % over 2009 and obviously reached 2.2 % in the first half of 2010. Gradual stabilization of pace of PP growth could be considerably helped by means of stopping of slowdown in trend TFP growth.

Graph B.1.4 illustrates that economic recession and coping with its consequences have resulted in loss of PP level of some 2.7 %.

Further development of PP will depend on the speed of the economic recovery. To close the negative output gap and to accelerate potential growth again, the economy will have to start reaching higher paces of GDP growth compared to PP.

B.2 Composite leading indicator

Leading composite indicator is compiled from the results of business cycle surveys meeting basic demands made on cyclical leading indicators – economic significance, statistically observable relation to the course of economic cycle

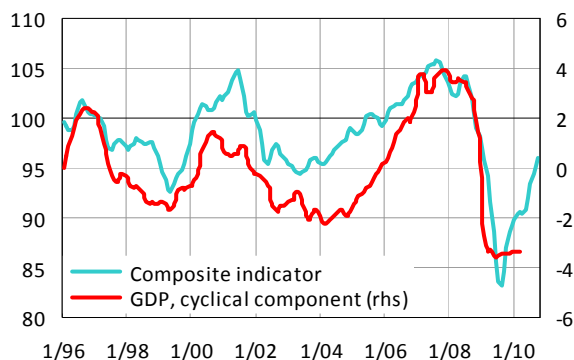
ahead of time and timely and regular availability. Since December 2008 the indicator is compiled from those business cycle indicators that show a high level of correlation with average lead of six months.

Graph B.2.1: Leading Composite Indicator

average 2000=100 (lhs)

synchronized with cyclical component of GDP based on statistical methods (Hodrick-Prescott filter)

in % of GDP (rhs)



Leading composite indicator signalled convergence of relative cyclical component to zero value in the first quarter of 2010 i.e. further QoQ growth of real GDP. Real data confirmed QoQ growth of GDP but relative

cyclical component of GDP remained unchanged in essence.

For the second quarter of 2010 leading composite indicator signals more of stagnation of relative cyclical component of GDP at the level of first quarter of 2010.

CZSO new preliminary data for the first quarter of 2010 accompanied by data revision of 2009 quarterly national accounts led again to relatively considerable shift of the end of time series of relative cyclical component, correlating now more with recent development of composite indicator. It can be assumed even for the future that the current estimate of relative cyclical component of GDP will change.

As in connection with transition to new Classification of Economic Activities (CZ-NACE) the CZSO revised the input time series, value of indicator from April update only is given. New input time series are available from 2003 only, from which follows that the current composite indicator will have to undergo a comprehensive revision.

B.3 Individual business cycle indicators

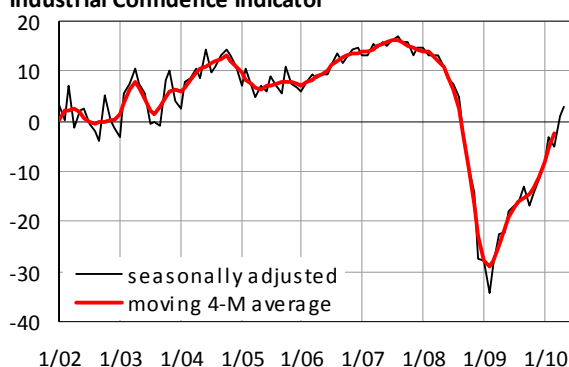
Business cycle surveys express respondents' views of the current situation and short-term outlook and serve to identify in advance possible turning points in the economic cycle. The main advantage lies in quick availability of results reflecting a wide range of effects shaping expectations of economic entities.

The surveys share a common characteristic: respondents' answers do not provide a direct quantification but use more general qualitative expressions (such as better, the same, worse, or growing, not changing, falling, etc.). Trends are reflected in business cycle balance, which is the difference between answers "improvement" and "worsening" expressed in per cents of observations.⁴

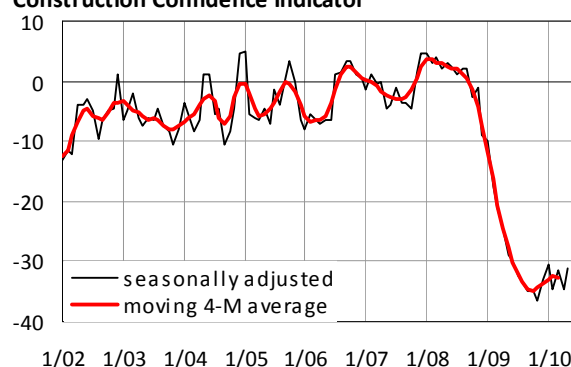
Aggregate indicator of confidence is presented as weighted average of seasonally adjusted indicators of confidence in industry, construction, trade, select sectors of services and of consumer confidence. Weights are established as follows: indicator of confidence in industry is assigned weight of 40 %, those of construction and trade 5 % each, that for selected services 30 % and for consumer confidence 20 %.

Graph B.3.1: Confidence Indicators

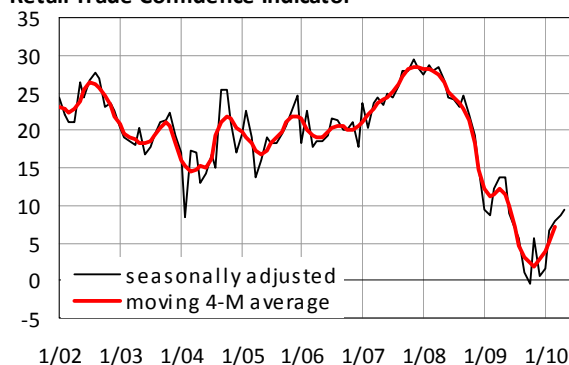
Industrial Confidence Indicator



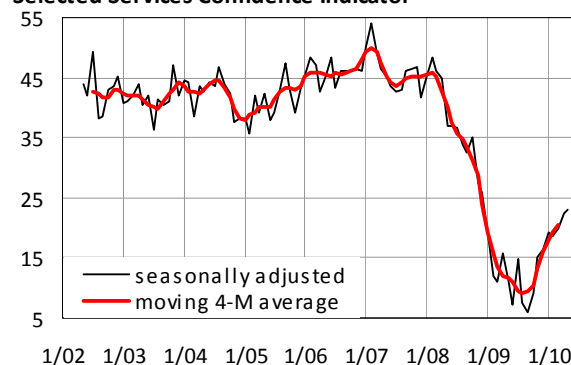
Construction Confidence Indicator



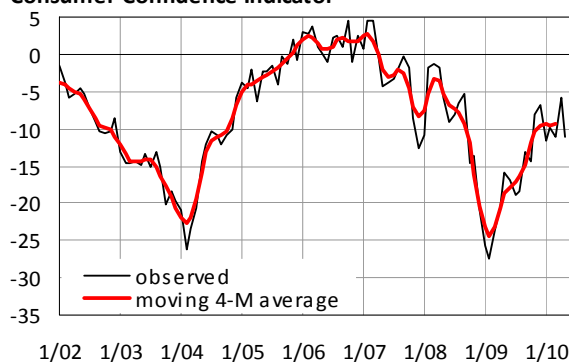
Retail Trade Confidence Indicator



Selected Services Confidence Indicator



Consumer Confidence Indicator



⁴ For methodology of business cycle surveys see CZSO: http://www.czso.cz/csu/redakce.nsf/i/konjunkturalni_przukurum.

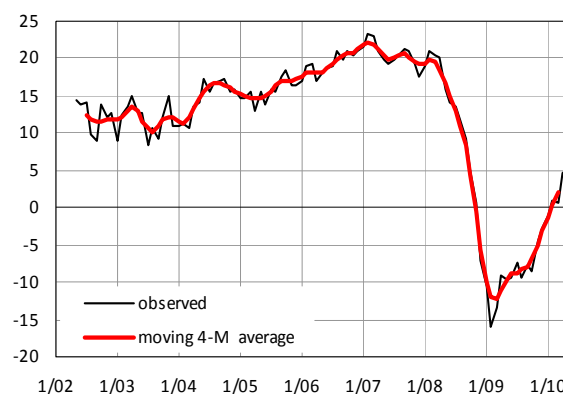
In **industrial businesses**, assessment of performance in April and May 2010 continued to be favourable. Improvement of economic situation and of total and foreign demand continued. In outlook for next three months of 2010, assessment of production activity increased slightly but assessment of employment was still cautious. In three- and six-month horizon a partial improvement of economic situation of businesses is expected.

In construction situation was improving merely slowly in the beginning of the second quarter 2010. For the next three months respondents increased their expectations of construction activity and employment. As regards assessment of economic situation, a major improvement cannot be expected even in the six-month period.

In April and May businesses in **trade** improved their assessment of the current economic situation. However, respondents are not very optimistic as regards outlook. In selected sectors of **services** situation is stable but assessment of expected demand fell slightly.

Consumer confidence decreased moderately in May survey but still remains relatively stable. For the next twelve months consumers allow for worsening of total economic situation as well as of their financial situation. Share of respondents expecting an increase in unemployment rose slightly.

Graph B.3.2: **Aggregate Confidence Indicator**



On the basis of economic entities' opinions it can be assumed that QoQ growth is to be similar in the second and third quarters as in the first quarter. Development of external demand is seen as risk.

Methodical explanation:

Since May 2010 results are in accordance with EU business cycle survey programme developed and published under new Classification of Economic Activities CZ-NACE (national version of NACE Rev. 2), which replaced the formerly used Sectoral Classification of Economic Activities (national version of NACE Rev. 1.1). Changes cover all time series exclusive of indicator of consumer confidence. Time series are recalculated retroactively.

C Forecast of macroeconomic indicators

C.1 Economic output

The Czech economy has been recovering from economic slump at the turn of 2008 and 2009.

In the fourth quarter of 2008 the Czech economy was fully hit by the world economic crisis and entered the recession. Under current CZSO estimates, recession lasted three quarters with seasonally adjusted **real GDP** decreasing by 4.9 % during this period.

In the third quarter of 2009 a turnaround was seen. Pro-growth measures had their impact on the domestic market, Czech firms profited also from stimulation programmes abroad. Stabilization of economies of our main trading partners starting manifesting itself. Since then, GDP grows at a stable pace of 0.5 % QoQ (*compared to forecast of 0.2 % for the first quarter of 2010*). It means YoY growth of real GDP by 1.1 %⁵ (1.2 %) in the first quarter of 2010.

Also during the second quarter of 2010 the economic recovery obviously continued. QoQ growth is estimated at 0.4 % (0.3 %), which means YoY growth by 2.0 % (*unchanged*).

Improved external conditions should outweigh restrictive impacts of stabilization measures. Foreign trade should contribute most to GDP growth in 2010, in the following years also domestic demand should recover. Forecast of GDP growth for 2010 is 1.6 % (1.5 %). In 2011 growth should accelerate slightly to 2.3 % (2.4 %).

Worsening of terms of trade led to YoY stagnation (*growth by 0.7 %*) of **real gross domestic income (RGDI)**, reflecting income situation of the Czech Republic, in the first quarter of 2010. In 2010 real income could rise by 0.6 % (0.7 %). Income situation of the Czech economic entities thus improves much slower than growth of economic output. In 2011 RGDI should grow by 2.1 % (*unchanged*).

Real dynamics reflects also in development of **nominal GDP**, the key variable for fiscal forecasts. In the first quarter of 2010 a YoY decline by 0.6 % (*growth by 1.2 %*) was recorded, when decrease in terms of trade as well as in deflator of gross domestic expenditures prevailed over YoY growth of real economy. In 2010 nominal growth is expected at 1.4 % (1.7 %) and in 2011 at 3.7 % (3.5 %).

As regards **income structure of GDP**, stagnation of the business sphere profitability is expected. In the first quarter of 2010, gross operational surplus fell by 1.1 % YoY (*growth by 1.0 %*). In 2010 growth by 0.7 % (*unchanged*) is expected. In 2011 growth by 3.5 % (1.8 %) can be assumed i.e. with dynamics below the level of nominal GDP.

Forecasts are still related with high rate of uncertainty ensuing especially from external environment development. Risks are deviated more like downward. Impacts of data revisions on past development of the economy can be also relevant. The situation is documented by means of Box C.1.1 and Graph C.1.2 in an annex.

⁵ Data without seasonal adjustment are given in the text, unless stated otherwise.

Box C.1.1: Updating of results of quarterly national accounts

Period of turbulences on financial markets and in the real economy generates more difficult condition for statistical coverage of main financial flows and flows of goods and services in the economy, covered by national accounts. It results objectively in increased volatility and necessity to update gradually the released data. Of course, instability of quarterly national accounts data affects in itself ability of economic forecasts to cover future developments.

The fact that it is difficult to compile quarterly national accounts in time of economic uncertainty, is demonstrated below on development of selected indicators.

Rows of each table cover relative changes in monitored variable since the first quarter of 2009 to the first quarter of 2010. Columns of the table follow development of given YoY changes according to published data of quarterly national accounts from the first quarter of 2009 (published in June 2009) to the first quarter of 2010 (published in June 2010).

It follows from the table for QoQ growth of seasonally adjusted GDP in constant prices how description of depth and course of recession changed over time. The first estimate of QoQ decline in GDP in the first quarter of 2009, released in June 2009, was -3.4 %. Then it was revised downward to -4.8 % in September 2009 while the current estimate from June 2010 is -3.8 %.

It seemed from the quarterly national accounts released in September and December 2009 that recession in terms of formal definition ended by first quarter 2009 as estimated QoQ change in GDP was positive in the second quarter of 2009. However, the current estimate from June 2010 shows a negative value of 0.5 %.

Furthermore, YoY changes in nominal GDP and selected indicators from expenditure and income structure of GDP are mentioned. Interpretation is up to the reader.

Gross domestic product, CZK 2000, qoq growth in %					
	NAQ1/09	NAQ2/09	NAQ3/09	NAQ4/09	NAQ1/10
Q1/09	-3,4	-4,8	-4,4	-4,1	-3,8
Q2/09		0,1	0,2	-0,3	-0,5
Q3/09			0,8	0,6	0,5
Q4/09				0,7	0,5
Q1/10					0,5

Gross domestic product, current prices, yoy growth in %					
	NAQ1/09	NAQ2/09	NAQ3/09	NAQ4/09	NAQ1/10
Q1/09	0,4	-0,6	-0,5	-0,4	-0,1
Q2/09		-2,4	-1,8	-1,9	-1,9
Q3/09			-2,5	-2,8	-2,8
Q4/09				-1,5	-1,7
Q1/10					-0,6

Household consumption, CZK 2000, yoy growth in %					
	NAQ1/09	NAQ2/09	NAQ3/09	NAQ4/09	NAQ1/10
Q1/09	3,0	1,8	2,3	0,9	0,8
Q2/09		1,5	1,8	0,0	0,0
Q3/09			1,1	-0,6	-0,6
Q4/09				-0,9	-0,8
Q1/10					-0,3

Household consumption, current prices, yoy growth in %					
	NAQ1/09	NAQ2/09	NAQ3/09	NAQ4/09	NAQ1/10
Q1/09	4,2	3,2	3,6	2,1	2,0
Q2/09		2,1	2,5	0,8	0,8
Q3/09			0,6	-1,2	-1,2
Q4/09				-0,8	-0,8
Q1/10					0,1

Change in stocks and valuables, bill. CZK 2000					
	NAQ1/09	NAQ2/09	NAQ3/09	NAQ4/09	NAQ1/10
Q1/09	-7	-5	-4	9	20
Q2/09		-23	-26	-12	-6
Q3/09			-23	-4	-2
Q4/09				-33	-35
Q1/10					21

Wages and salaries, current prices, yoy growth in %					
	NAQ1/09	NAQ2/09	NAQ3/09	NAQ4/09	NAQ1/10
Q1/09	2,6	1,0	0,9	-0,3	1,2
Q2/09		-0,5	-0,5	-2,4	-0,8
Q3/09			-1,0	-2,2	-0,5
Q4/09				-1,8	-0,2
Q1/10					-2,2

Expenditures in GDP

QoQ decline in household expenditures lagged two quarters behind contraction of aggregate economic output. Similarly, start of household consumption recovery lagged behind GDP by two quarters. In the first quarter of 2010 household consumption grew 0.7 % in QoQ terms. It means that YoY decline in **real household expenditures on final consumption** reached 0.3 % (*decline by 1.1 %*) in the first quarter of 2010.

Further growth of consumption will be counteracted by still falling employment and ensuing worsening income situation of households. Also budgetary measures to stabilize public finance balance will make themselves felt

over 2010. Growth should be counteracted by announced cuts in public sector salaries too.

In 2010 household consumption is expected to fall by 0.5 % (*decline by 1.1 %*). In 2011 growth of household consumption should be restored at some 2.0 % (*unchanged*).

Government expenditures on final consumption rose by 1.9 % (*decline by 2.1 %*) in real terms in the first quarter of 2010.

In accordance with adopted stabilization measures, austerity behaviour of government institutions is expected as regards both employment in the government sector and purchases of goods and

services. Expected development of government consumption in 2010 should reflect efficient measures to cut government sector deficits. In the following years it should reflect consolidation strategy adopted by the government, which is to ensure meeting of the Maastricht criterion for public finance deficit in 2013.

In 2010 real government consumption is assumed to fall by 1.8 % (*decline by 2.5 %*). In 2011 it should fall by 0.9 % (*unchanged*).

Volume of **gross fixed capital formation** fell by 6.6 % (*decline by 4.7 %*), YoY, in the first quarter of 2010. Purchases of transport vehicles fell by 3.4 %, investments in other machines by 7.5 %. Construction investments in housing fell by 1.5 % only but in other constructions by 9.6 %.

In the current uncertain situation it is necessary to take into account that many investment plans were reconsidered or postponed due to low utilisation of existing capacities. Also capacities, which profited from cheap workforce, can be expected gradually to move elsewhere. Willingness of foreign investors to make new investments or reinvest profits from their business operations in the CR will depend on their situation in

their home countries. Recovery of investment activities is expected as late as in 2011.

After overheating of the housing market in 2007 and 2008, situation should gradually return to trajectory sustainable in the long run. With regard to households' financial situation, negative trajectory deviation can be rather expected in short-term outlook.

On the other hand, reduction of investment could be mitigated by infrastructure investments with contributions from EU funds. For 2010 further decline by 4.3 % (*decline by 3.7 %*) is expected. In 2011 growth dynamics should restore at some 2.5 % (*unchanged*).

Contribution of **foreign trade** (FT) to YoY growth of GDP on seasonally adjusted data reached 1.9 p.p. in the first quarter of 2010 and was thus higher than growth of GDP.

In 2010 positive effect of domestic demand reduction due to stabilization measures as well as ongoing recovery in partner countries should be seen. FT contribution should be distinctly positive, amounting to 1.9 p.p. (*1.8 p.p.*). For 2011 FT contribution is expected at some 0.6 p.p. (*0.7 p.p.*).

C.2 Prices of goods and services

Consumer prices

YoY growth of prices was 1.2 % in May, corresponding thus fully to our expectations. Contribution of administrative measures remained to be the main source of growth (1.3 p.p.). The former consisted in particular of government package to consolidate general government effective from this January and of growth of some regulated prices. Since April effect of an increase of excise taxes on tobacco products (total impact of 0.2 p.p.) is seen. In the same month also prices of gas were increased by 2.8 % (contribution of 0.1 p.p.). Further increase of price gas will be made in July by 4.4 % (contribution of 0.1 p.p.) and in our estimate also in October by some 3.0 % (0.1 p.p.).

Prices in the section of transport are still influenced by growing prices of fuels, pushed upward in particular by weakening of the CZK/USD exchange rate. Average price of Natural 95 petrol was the highest in March from July 2008 and that of diesel oil from September 2008. Due to strong effect of low comparison basis especially from the first half of 2009 thus prices of oil are an important contributor to YoY growth of consumer prices.

Year-on-year declines in prices of food slow down responding thus to development of agriculture producer prices and world prices. Since mid-year their further recovery and positive contributions to CPI are expected. Especially world prices of animal farming products, some of which record YoY growth by tens of per cents this year, can represent considerable inflationary risk for the future.

Another factor, which will push domestic prices upward, is the CZK/USD exchange rate, weaker in YoY terms. A visible depreciation of the koruna occurred in May and weaker CZK/USD exchange rate is assumed also for the following period. Monetary easing as well as ongoing positive gap of real marginal costs indicating decline in profit margins of producers and traders below the long-term level can also become pro-inflationary factors.

On the contrary, weak domestic demand still has anti-inflationary effects, which reflects also restriction of demand for non-food consumption goods. Prices in sections of recreation and culture, clothing and footwear as well as housing furnishings and equipment are still lower in YoY terms. Fragile recovery of domestic economy, persisting position in negative

output gap, still unfavourable conditions on the labour market, moderate growth of real wages and related cooling household consumption create a very limited room for demand-pulled consumer price growth.

On the basis of mentioned assumptions, **average rate of inflation in 2010 is expected to reach 1.6 % (1.5 %)** with December expected increase of prices by **2.6 % (2.3 %)**. Market prices contribution to inflation should return to slightly positive values.

In 2011 gradual recovery of household consumption and positive market inflation over the entire year is expected. Contribution of administrative effects, taking into account proposed government measures to consolidate general government as well as growth of some regulated energy prices, should remain at the same level as in 2010. **Average rate of inflation in 2011 should thus hover around 2.5 % (2.3 %)** with an increase of the prices over the year by **2.2 % (2.1 %)**.

Deflators

Aggregate price level in the economy is stable. **Gross domestic expenditure deflator**, which is a

comprehensive indicator of price developments, fell by 0.2 % (*growth by 0.6 %*) in the first quarter of 2010, YoY. At the same time, deflator of gross fixed capital formation decreased noticeably by 1.7 %. It was due to dropout of prices of transport vehicles by 4.0 % and other machines by 3.8 %.

In 2010 increase of gross domestic expenditure deflator should reach 0.9 % YoY (*1.1 %*) with tendency to gradual growth especially due to acceleration of consumer inflation. In 2011 deflator should grow by 1.8 % (*1.6 %*).

Implicit GDP deflator fell by 1.6 % (*stagnation*) in the first quarter of 2010. Compared to gross domestic expenditure deflator, it was pulled downward by decline of terms of trade by 1.6 % (*decline by 0.7 %*). For 2010 decline of deflator by 0.2 % (*growth by 0.2 %*) is assumed with worsening of terms of trade by 1.4 % (*1.1 %*). In 2011 growth by 1.3 % (*1.1 %*) is expected.

C.3 Labour market and households

Labour market environment underwent significant changes of structural character. In the first quarter of 2010 labour market was hit not only by passed recession but also by expiration of government measures to mediate impacts of economic slump.

Employment

Under Labour Force Survey (LFS), **employment fell by record 2.4 % (1.3 %)**, YoY, in the first quarter of 2010. Shrinkage of the number of employed people by 3.2 % (*1.7 %*) was the decisive factor where probably expiring validity of administrative measure regarding social security credits made itself felt. The measure stimulated employers in 2009 to keep low-skilled and cheap workforce employed. Its abolishment by the end of 2009 led probably the employers to terminating such contracts. Part of the dismissed people probably joined the self-employed persons as number of entrepreneurs (some 17 % of all workers) rose by 1.7 % (*1.1 %*).

Supply of labour stagnated in the first quarter, YoY, when shrinkage of employment by 118 thousand people was nearly offset by growth of the unemployed by 120 thousand people. **Rate of economic activity** (15-64 years) thus stagnated at 69.6 %, YoY, as well as ratio of labour force to population of 15-64 years (70.7 %). Growth of participation thus was dampened due to

institutional components. Higher rate of economic activity given by growth of employment may be seen only after 2010.

Number of legally working foreign nationals fell by 9.6 % YoY in the first quarter and this tendency continued in April and May.

With regard to above-mentioned changes in employment, **rate of employment** (15-64 years) fell by 1.5 p.p. YoY to 64.1 %. Number of persons working in the secondary sector kept on falling considerably. The sector recorded reduction in employment by nearly 117 thousand which was more or less equal to the first-quarter shrinkage of workers in the entire economy, but in comparison with 2009 it was not dampened more considerably by growth in the number of persons employed in the tertiary sector.

With regard to development in employment lagging behind the economy's recovery, decline in employment of 1.4 % (*0.6 %*) is expected in 2010, i.e. shrinkage comparable with 2009. After vigorous dropout in the first quarter, very moderate QoQ growth should follow in the remaining part of the year (seasonally adjusted). In 2011 and 2012 we allow for less than one-percent growths, corresponding to weaker economic dynamics and gradual involvement of free capacities.

Unemployment

It was confirmed that **registered unemployment had peaked** in February 2010. Figures on the number of the unemployed on the seasonally adjusted data for the following three months indicate a **visible decline**. Optimism-generating faster turnover in flows continued, especially as regards growth in the number of job seekers placed and decline in the number of newly reported job seekers. On the other hand, unfavourable turn in development of the long-term unemployed was confirmed with their share in the registered unemployed rising to 26 % (even to 36 % under LFS). Nevertheless their number is still considerably lower than in periods of strong economic growth.

Internationally comparable unemployment rate under LFS reached 8.0 % (8.1 %) in the first quarter of 2010. Similarly as with rate of registered unemployment, LFS rate of unemployment is assumed to fall in the following quarters of 2010, reaching on average 7.6 % (7.9 %) for the entire year with further decline to 7.3 % (7.8 %) in 2011 and 6.8 % in 2012. Improving structural characteristics of labour market are the main cause of more optimistic outlook in the sphere of unemployment.

Wages

Contrary to 2009, the current YoY decline in wage bill is deeper compared to decline in nominal GDP. In the first quarter of 2010 it reached 2.2 %. Taking into account high rate of labour taxation, such development has considerably negative impact on the revenue side of the general government.

With abatement of structural changes (dismissals of less-paid employees and fall in sickness rate), a moderate growth of gross average wage was achieved by 2.2 %

(1.8 %) with 4.5 % shrinkage of employees, especially in industry and construction.

Unit labour costs fell by 2.6 % (1.3 %) i.e. at a double pace than expected. 3.5 % YoY increase in productivity and merely 0.8 % growth of average compensations to employees had favourable impact on the outcome. In the following period gradually accelerating growth of productivity and of unit compensations can be expected. With temperate development of wages and salaries in 2010, a moderate decline of unit labour costs (-0.8 %) can be obviously assumed, while in the following years growth is expected.

On the basis of previous-period data, first-quarter results, business-sector signals, and decisions and intents regarding public-sector salaries for the forthcoming period, a very moderate growth of average wages with gradual acceleration is expected in short-term outlook. Expiring of structural effects will probably lead to 2.4 % growth of gross average wage in 2010, 3.5 % in 2011 and 4.7 % in 2012.

Wage bill is assumed to show YoY decline in the first half of 2010 and grow by some 0.3 % (0.1 %) for the entire 2010. Together with ongoing recovery of the economy, it should grow by 3.8 % (4.3 %) in 2011. Wage bill development should again relate to nominal GDP development.

C.4 External relations

(Balance of payments definitions)

External imbalance, expressed by **ratio of current account (CA) balance to GDP**, reached -1.3 % (-0.8 %) and practically did not change compared to the same period of previous year. Worsening of balance of services, current transfers and balance of income was outweighed by improvement of trade balance.

Drop in demand during economic recession led to steep decline in volume of traded goods. After more than year of export markets slump⁶, reaching its trough in the

second quarter of 2009 (fall by 14.8 %), export markets grew by 3.8 % YoY (1.0 %) in the first quarter 2010. Since the third quarter of 2009 export performance, indicating share of the Czech goods in export markets, has been improving. It grew by 10.8 % YoY (12.0 %) in the first quarter. Such development resulted in an increase in real exports of goods by 15.0 % YoY (13.1 %). Pace of dropout in nominal export and import hit its trough during the first half of 2009 while in the first quarter of 2010 better results were achieved in YoY terms. In the first quarter ratio of trade balance to GDP improved by 2.8 p.p. in annual terms to 5.6 % (5.4 %).

With regard to assumed scenario, further slow growth of oil prices should lead to an increase in fuels balance

⁶ Weighted average of growth of goods import by seven most important trade partner countries (Germany, Slovakia, Poland, Austria, France, United Kingdom and Italy).

deficit (SITC 3) over 2010 and in 2011. Its ratio to GDP should be at some -3.7 % (-3.6 %) in 2010 and rise to -4.1 % (-4.0 %) in 2011.

Taking recovery of trade into account, growth of export markets by 6.6 % (3.5 %) is expected in 2010 with moderate slowdown to 5.5 % (5.2 %) in 2011. Export performance should grow, too.

Surplus of non-fuel part of the balance is expected to rise to 8.8 % of GDP (8.9 %) in 2010 and to 9.1 % of GDP (9.2 %) in 2011. With current growth of deficit of fuel part of the balance, trade balance surplus (in balance of payments definitions) should reach 7.0 % of GDP (6.2 %) and 6.9 % (6.2 %) in 2011. Effect of trade recovery and domestic demand restriction should outweigh higher prices of oil in 2010 at least.

Economic recession influenced foreign trade in services too. Pace of growth of revenues and expenditures on transport services and tourism started falling after long-term growth since mid-2008. These items have switched to decline gradually and surplus of **balance of services** started falling too. It was related especially with higher import of the so-called other services. Surplus of balance

of services worsened from 1.7 % of GDP to 0.1 % of GDP in the first quarter of 2010, YoY. Strong growth of expenditures in the item of other services is assumed to outweigh only moderate improvement of balance of transport and tourism with total balance of services running a deficit.

Balance-of-income deficit, including reinvested and repatriated profits of foreign investors, continues deepening. Volume of yields and costs of this part of the balance decreased with revenues falling more. Both estimate of reinvested profits abroad and interest yields were lower. On the liabilities side of balance of income, increase in estimate of reinvested profit in the CR had the strongest impact. Lowering of compensations to foreign employees had positive impact on balance-of-income development. For 2010 deficit of balance of income is estimated at -6.3 % of GDP (-6.2 %) and for 2011 at -7.3 % of GDP (-7.1 %).

Taking the above-mentioned into account, ratio of **current account** deficit to GDP is estimated to reach -0.1 % (*surplus of 0.4 %*) in 2010. The forecast for 2011 is -1.0 % of GDP (-0.5 %).

C.5 International Comparisons

Comparisons for the period to 2009 are based on Eurostat statistics. Since 2010, our own calculations are used on the basis of real exchange rates.

With use of purchasing power parity method, comparisons of economic output of individual countries within EU are made in PPS (purchasing power standards). PPS is an artificial currency unit expressing quantity of goods that can be bought on average for one euro on the EU 27 territory after exchange rate conversion for countries that use other currency unit than the euro. Under Eurostat data, purchasing power parity of the CR in 2009 was CZK/PPS 18.23 in comparison with EU27 or CZK/EUR 16.98 in comparison with EA12.

Due to economic recession, when adjusted by current **purchasing power parity**, tendency of economic convergence of the CR and other Central European countries (except for Poland, see chapter A.1) toward EA12 average has stopped. Some countries (Baltic states, Hungary, Slovenia), which have been hit by the crisis more than EA12 countries, even experienced decline in their relative economic level.

In 2009 GDP p.c. of the Czech Republic reached some 18 900 PPS, which corresponds to 74 % of EA12 economic output. Thanks to higher growth in the CR than in EA12, relative performance of the Czech economy should start growing again from 2010.

Alternative way of calculation by means of the current **exchange rate** takes into account a market assessment of the currency and ensuing differences in price levels. GDP of the CR p.c. then reaches some EUR 13 100 in 2009, which corresponds to 47 % of EA12 level. Compared with 2008 thus a decline appears given by correction of inappropriate appreciation of the exchange rate in 2008.

Comparative price level of GDP reached some 64 % of EA12 average in 2009. Depreciation of the real exchange rate is seen here in YoY decline by 3 p.p. Such movement helped increase price competitiveness and make overcoming of difficult situation easier. A major depreciation of the exchange rate was seen in Poland where decline of relative price level reached incredible approx. 10 p.p. and helped thus Poland avoid economic recession.

D Monitoring of other institutions' forecast

The Czech Ministry of Finance monitors macroeconomic forecasts of other institutions, engaged in forecasting of future developments of the Czech economy. Forecasts of 13 institutions are continuously monitored from open-access data sources. Of these, 8 institutions are domestic (CNB, Ministry of Labour and Social Affairs, domestic banks and investment companies) and others are foreign (European Commission, OECD, IMF etc.). The forecasts are summed up in the following table.

Sources of tables and graphs: own calculations.

Table D.1: Consensus Forecast

		June 2010			July 2010
		min.	max.	consensus	forecast MoF
Gross domestic product (2010)	%, const.pr.	0,9	2,7	1,6	1,6
Gross domestic product (2011)	%, const.pr.	1,8	3,0	2,4	2,3
Average inflation rate (2010)	%	1,4	2,6	1,7	1,6
Average inflation rate (2011)	%	1,3	2,5	2,0	2,5
Average monthly wage (2010)	%	2,0	3,0	2,4	2,4
Average monthly wage (2011)	%	3,2	4,3	3,9	3,5
Current account / GDP (2010)	%	-2,4	0,1	-0,9	-0,1
Current account / GDP (2011)	%	-3,1	1,0	-1,2	-1,0

Consensus forecasts of **GDP** growth for 2010 have hovered within 1-2 % for a time. Past year's MoF forecasts were mostly more conservative compared to other institutions forecasts, this year's forecasts differ to a minimum extent only.

Institutions assume on average that Czech GDP will increase by 1.6 % in 2010 and by 2.4 % in 2011. These estimates are nearly identical with MoF forecast.

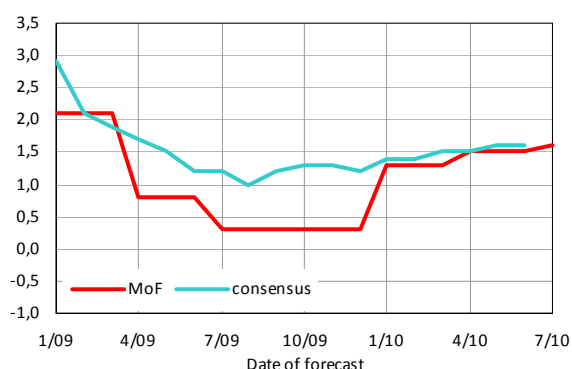
Current forecasts of **rate of inflation** for this year allow for average rate of inflation at some 1.7 % while for 2011 institutions expect acceleration of consumer price growth to 2.0 %. Under MoF forecast average rate of inflation should be higher by 0.5 p.p. in 2011.

For 2010 institutions expect further slowdown in growth of **average wage**. Consensus forecast allows for an increase in average wage by 2.4 % in 2010 and 3.9 % in the following year. MoF forecast is in accordance with this tendency.

Consensus forecasts of **ratio of current account of balance of payments to GDP** allow for deficit at about 1 % in this and next year, current account deficit should then remain at sustainable level. Contrary to average of other institutions' forecasts, the MoF expects nearly balanced current account this year.

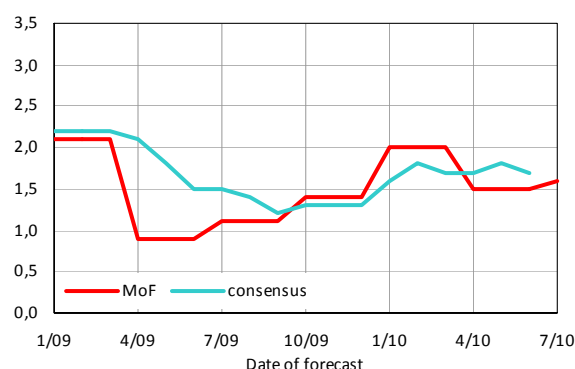
Graph D.1: Forecast of Real GDP Growth for 2010

in %



Graph D.2: Forecast of Average Inflation Rate for 2010

in %



Tables and Graphs:

C.1 Economic Output

Sources: CZSO, MoF estimates.

Table C.1.1: Real GDP by type of expenditure – yearly
chained volumes, reference year 2000

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
							Prelim.	Forecast	Forecast	Outlook	Outlook
Gross domestic product	<i>bill. CZK 2000</i>	2474	2630	2809	2982	3055	2929	2976	3046	3143	3267
	<i>growth in %</i>	4,5	6,3	6,8	6,1	2,5	-4,1	1,6	2,3	3,2	3,9
Private consumption exp.¹⁾	<i>bill. CZK 2000</i>	1309	1342	1411	1481	1534	1532	1524	1554	1600	1656
	<i>growth in %</i>	2,9	2,5	5,2	5,0	3,6	-0,2	-0,5	2,0	2,9	3,5
Government consumption exp.	<i>bill. CZK 2000</i>	527	542	548	552	557	581	570	565	561	574
	<i>growth in %</i>	-3,5	2,9	1,2	0,7	1,0	4,2	-1,8	-0,9	-0,7	2,2
Gross capital formation	<i>bill. CZK 2000</i>	774	767	841	920	895	742	753	786	823	868
	<i>growth in %</i>	9,1	-0,8	9,6	9,4	-2,7	-17,1	1,5	4,3	4,7	5,5
– Gross fixed capital formation	<i>bill. CZK 2000</i>	716	729	773	856	844	766	733	751	778	822
	<i>growth in %</i>	3,9	1,8	6,0	10,8	-1,5	-9,2	-4,3	2,5	3,6	5,6
– Change in stocks and valuables	<i>bill. CZK 2000</i>	58	38	69	64	51	-24	21	35	44	46
Exports of goods and services	<i>bill. CZK 2000</i>	2039	2275	2633	3029	3210	2865	3158	3395	3645	3934
	<i>growth in %</i>	20,7	11,6	15,8	15,0	6,0	-10,8	10,2	7,5	7,4	7,9
Imports of goods and services	<i>bill. CZK 2000</i>	2192	2301	2629	3004	3144	2810	3037	3260	3482	3762
	<i>growth in %</i>	17,9	5,0	14,3	14,3	4,7	-10,6	8,1	7,3	6,8	8,0
Domestic demand	<i>bill. CZK 2000</i>	2608	2652	2796	2943	2979	2868	2858	2912	2985	3096
	<i>growth in %</i>	3,1	1,7	5,4	5,2	1,2	-3,7	-0,4	1,9	2,5	3,7
Methodological discrepancy²⁾	<i>bill. CZK 2000</i>	18	5	4	3	2	19	7	5	-3	-2
Real gross domestic income	<i>bill. CZK 2000</i>	2582	2712	2869	3074	3110	3032	3051	3114	3237	3374
	<i>growth in %</i>	4,7	5,0	5,8	7,1	1,2	-2,5	0,6	2,1	3,9	4,2
Contribution to GDP growth³⁾											
– Domestic demand	<i>percent. points</i>	3,2	1,7	5,3	5,1	1,2	-3,5	-0,3	1,8	2,4	3,4
– consumption	<i>percent. points</i>	0,7	1,9	2,8	2,6	1,9	0,8	-0,7	0,8	1,3	2,2
– gross capital formation	<i>percent. points</i>	2,5	-0,2	2,5	2,5	-0,7	-4,3	0,3	0,9	1,0	1,2
– Foreign balance	<i>percent. points</i>	1,3	4,6	1,5	1,1	1,3	-0,6	1,9	0,6	0,8	0,5

¹⁾ The consumption of non-profit institutions serving households (NPISH) is included in the private consumption.

²⁾ Deterministic impact of using prices and structure of the previous year for calculation of y-o-y growth

³⁾ Calculated on the basis of prices and structure of the previous year with perfectly additive contributions

Table C.1.2: Real GDP by type of expenditure – quarterly
 chained volumes, reference year 2000

		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Prelim.	Prelim.	Prelim.	Prelim.	Prelim.	Estim.	Forecast	Forecast
Gross domestic product	bill. CZK 2000	704	741	740	744	712	756	752	756
	growth in %	-3,6	-5,0	-5,0	-2,9	1,1	2,0	1,7	1,6
	growth in % ¹⁾	-3,6	-4,7	-4,4	-3,2	1,1	1,9	1,8	1,7
	quart.growth in % ¹⁾	-3,8	-0,5	0,5	0,5	0,5	0,4	0,4	0,4
Private consumption exp.	bill. CZK 2000	364	384	390	395	363	382	387	392
	growth in %	0,8	0,0	-0,6	-0,8	-0,3	-0,5	-0,7	-0,6
Government consumption exp.	bill. CZK 2000	132	142	144	164	134	138	139	159
	growth in %	3,1	3,4	5,6	4,7	1,9	-2,7	-2,9	-3,0
Gross capital formation	bill. CZK 2000	196	190	189	166	186	201	197	169
	growth in %	-7,2	-15,7	-17,2	-27,4	-5,4	5,4	4,2	2,1
– Gross fixed capital formation	bill. CZK 2000	176	196	192	201	165	187	185	196
	growth in %	-9,4	-9,2	-11,7	-6,8	-6,6	-4,7	-3,7	-2,5
– Change in stocks and valuables	bill. CZK 2000	20	-6	-2	-35	21	13	13	-27
Exports of goods and services	bill. CZK 2000	666	714	724	761	753	795	791	819
	growth in %	-18,8	-16,0	-9,3	2,6	13,0	11,4	9,3	7,6
Imports of goods and services	bill. CZK 2000	656	688	711	755	725	756	764	792
	growth in %	-17,0	-15,4	-8,0	-1,7	10,7	9,8	7,4	4,9
Methodological discrepancy	bill. CZK 2000	1	0	5	13	1	-3	1	8
Real gross domestic income	bill. CZK 2000	731	767	766	768	730	767	773	779
	growth in %	-2,4	-3,3	-2,7	-1,7	0,0	0,1	1,0	1,4

¹⁾ From seasonally and working day adjusted data

Table C.1.3: Nominal GDP by type of expenditure – yearly

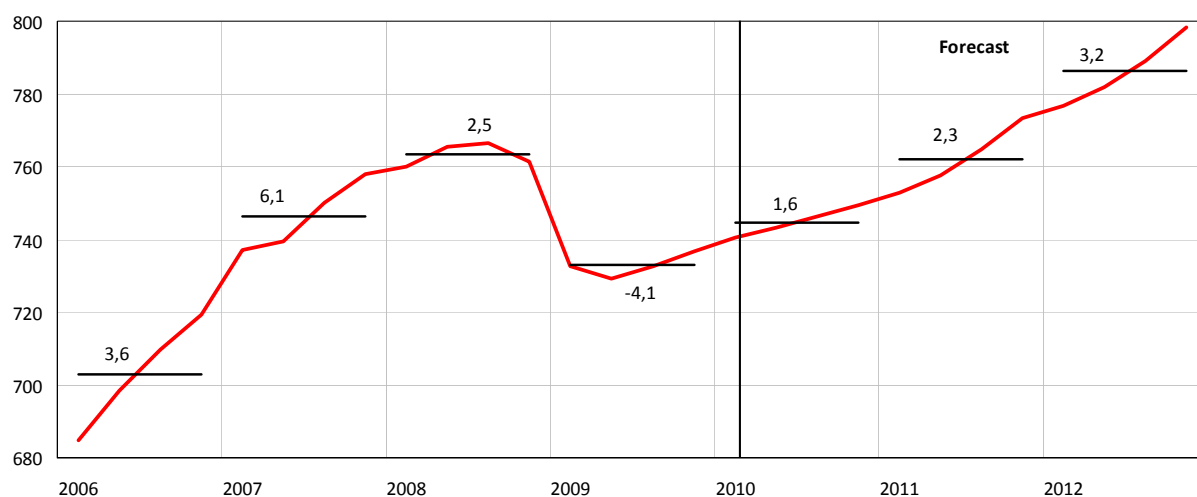
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
							Prelim.	Forecast	Forecast	Outlook	Outlook
Gross domestic product	bill. CZK	2815	2984	3222	3535	3689	3628	3678	3814	4018	4245
	growth in %	9,2	6,0	8,0	9,7	4,3	-1,7	1,4	3,7	5,4	5,6
Private consumption	bill. CZK	1417	1464	1562	1687	1834	1837	1852	1936	2029	2146
	growth in %	6,3	3,4	6,6	8,0	8,7	0,2	0,8	4,5	4,8	5,8
Government consumption	bill. CZK	622	658	687	718	753	800	791	794	798	813
	growth in %	3,1	5,9	4,3	4,5	4,9	6,3	-1,1	0,3	0,6	1,8
Gross capital formation	bill. CZK	774	766	863	955	934	789	803	844	891	948
	growth in %	10,6	-1,1	12,7	10,6	-2,2	-15,5	1,7	5,1	5,5	6,5
– Gross fixed capital formation	bill. CZK	727	742	796	890	883	814	781	808	843	897
	growth in %	5,8	2,0	7,3	11,8	-0,8	-7,8	-4,1	3,5	4,3	6,3
– Change in stocks and valuables	bill. CZK	47	24	67	64	51	-25	22	36	47	52
External balance	bill. CZK	2	95	110	176	168	201	232	241	300	338
– Exports of goods and services	bill. CZK	1975	2155	2462	2830	2844	2507	2704	2871	3089	3389
	growth in %	24,0	9,1	14,3	14,9	0,5	-11,8	7,9	6,2	7,6	9,7
– Imports of goods and services	bill. CZK	1973	2060	2352	2655	2676	2305	2472	2630	2788	3051
	growth in %	19,5	4,4	14,2	12,9	0,8	-13,8	7,2	6,4	6,0	9,4
Gross national income	bill. CZK	2660	2850	3062	3288	3426	3411	3459	3553	3717	3902
	growth in %	7,9	7,1	7,5	7,4	4,2	-0,4	1,4	2,7	4,6	5,0
Primary income balance	bill. CZK	-155	-134	-160	-247	-263	-217	-219	-260	-302	-343

Table C.1.4: Nominal GDP by type of expenditure - quarterly

		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Prelim.	Prelim.	Prelim.	Prelim.	Prelim.	Estim.	Forecast	Forecast
Gross domestic product	<i>bill. CZK</i>	876	918	909	925	871	924	931	953
	<i>growth in %</i>	-0,1	-1,9	-2,8	-1,7	-0,6	0,7	2,4	3,0
Private consumption	<i>bill. CZK</i>	438	462	466	470	438	464	471	479
	<i>growth in %</i>	2,0	0,8	-1,2	-0,8	0,1	0,5	1,0	1,7
Government consumption	<i>bill. CZK</i>	178	194	195	233	181	190	191	229
	<i>growth in %</i>	7,1	5,9	6,9	5,4	1,8	-2,0	-2,0	-1,9
Gross capital formation	<i>bill. CZK</i>	210	202	199	178	196	213	210	183
	<i>growth in %</i>	-4,5	-13,9	-16,6	-25,9	-6,6	5,5	5,5	2,8
– Gross fixed capital formation	<i>bill. CZK</i>	190	209	202	213	174	200	197	210
	<i>growth in %</i>	-6,4	-7,3	-10,8	-6,6	-8,2	-4,6	-2,6	-1,4
– Change in stocks and valuables	<i>bill. CZK</i>	20	-7	-3	-34	22	14	13	-26
External balance	<i>bill. CZK</i>	51	60	48	43	55	57	58	62
– Exports of goods and services	<i>bill. CZK</i>	618	628	611	650	648	681	673	702
	<i>growth in %</i>	-15,7	-16,0	-12,3	-2,3	4,9	8,4	10,2	8,0
– Imports of goods and services	<i>bill. CZK</i>	567	569	563	607	593	625	615	640
	<i>growth in %</i>	-15,5	-17,5	-14,1	-8,2	4,5	9,9	9,3	5,5

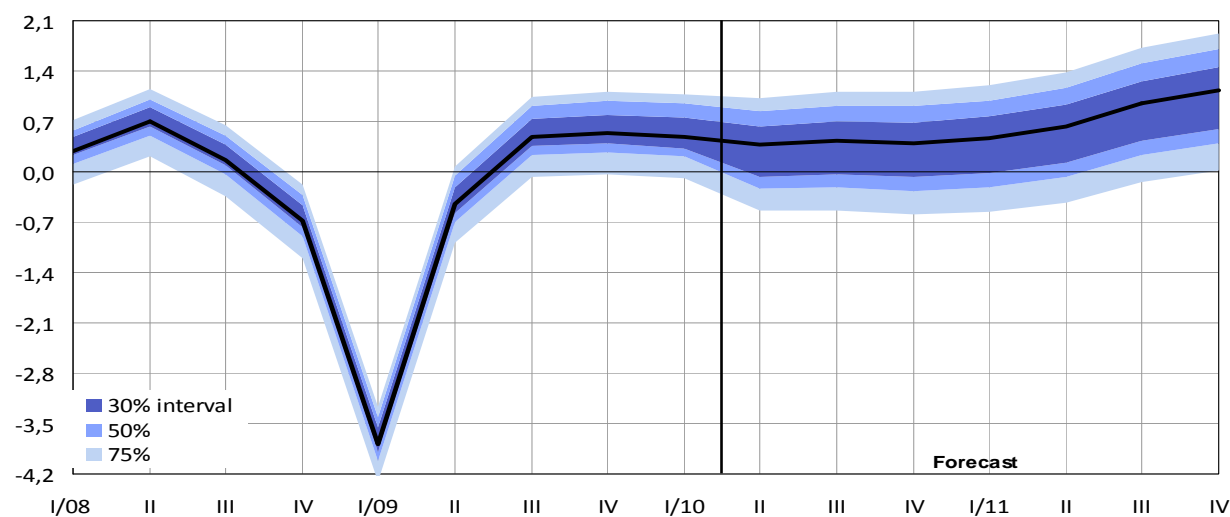
Graph C.1.1: Gross Domestic Product (real)

chained volumes, bill. CZK in const. prices of 2000, seasonally adjusted



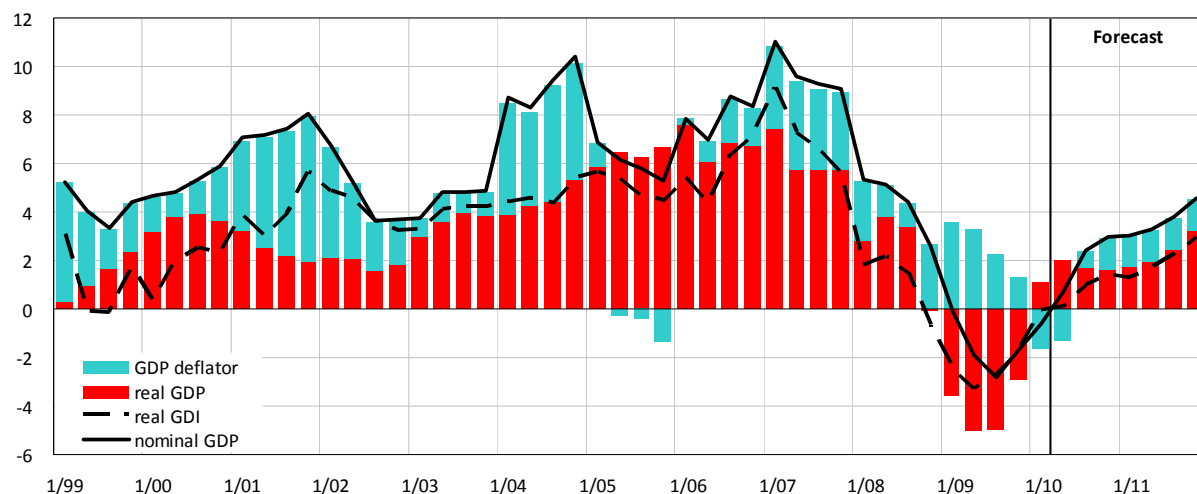
Graph C.1.2: Gross Domestic Product (real)

QoQ growth rate, in %, seasonally adjusted



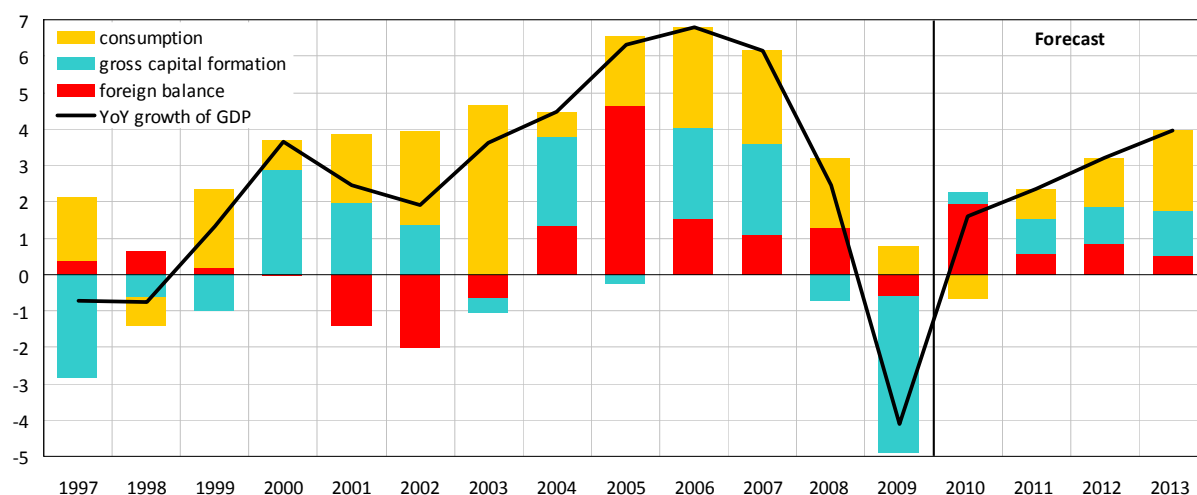
Graph C.1.3: Gross Domestic Product and Real Gross Domestic Income

YoY growth rate, in %



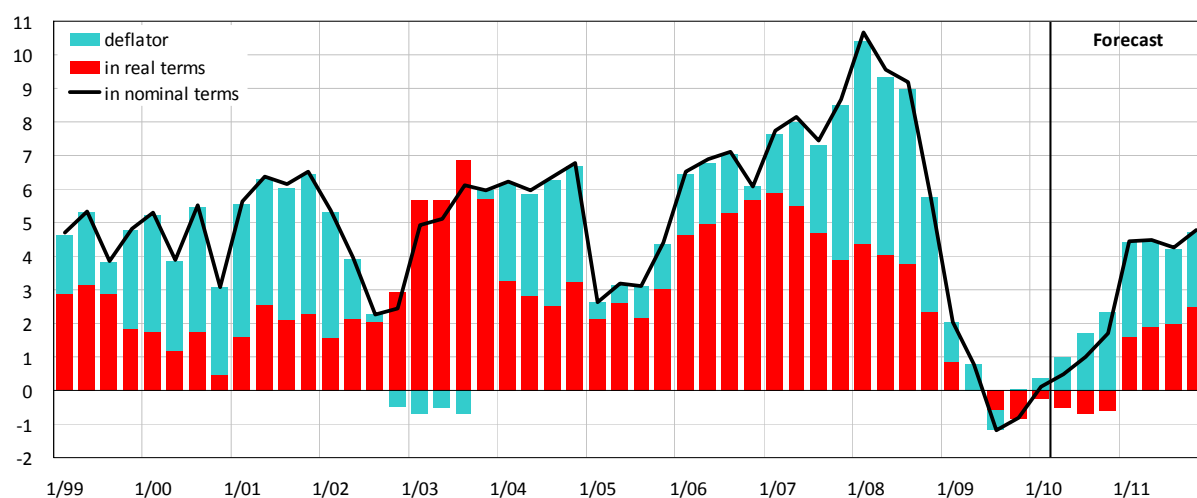
Graph C.1.4: Gross Domestic Product - contributions to YoY growth

in constant prices, decomposition of the YoY growth, in percentage points



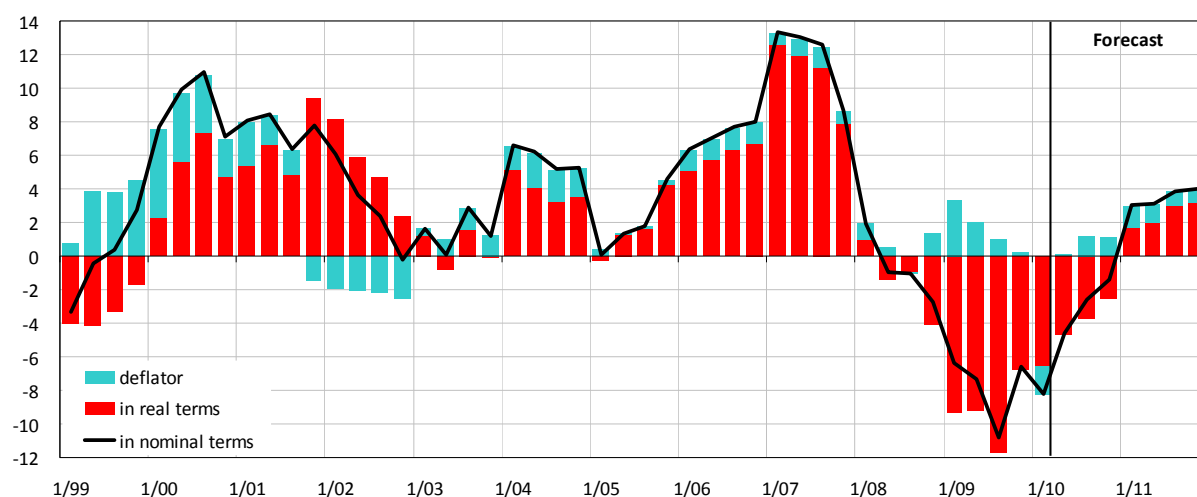
Graph C.1.5: Private Consumption (incl. NPISH)

YoY growth rate, in %

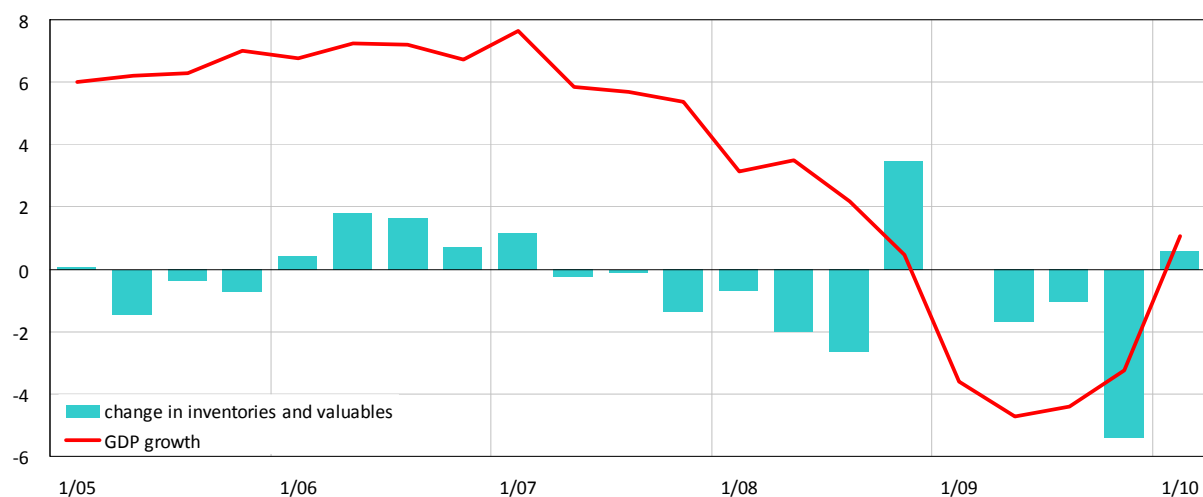


Graph C.1.6: Gross Fixed Capital Formation

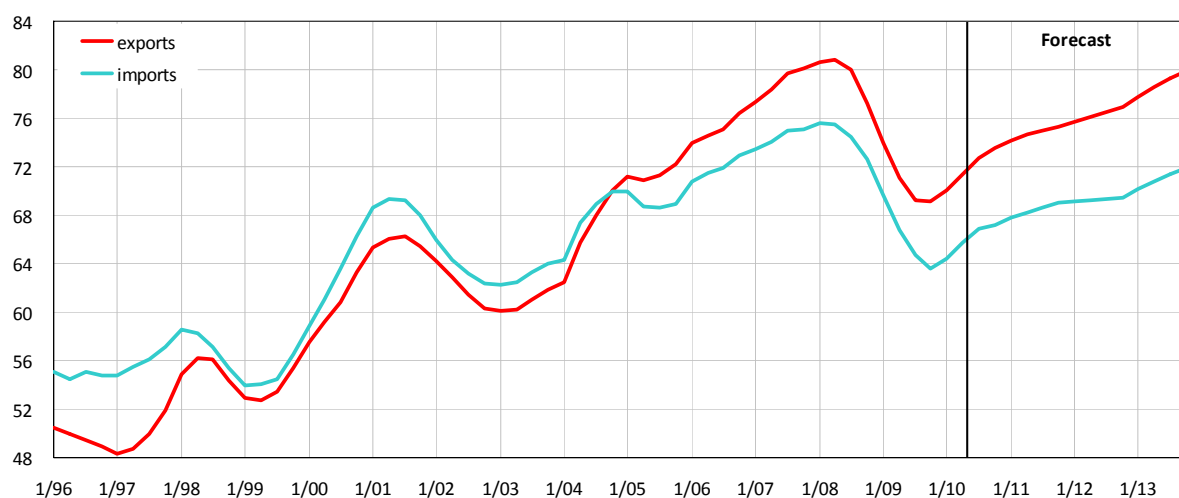
YoY growth rate, in %

Graph C.1.7: Change in Inventories and Valuables (*real*)

seasonally adjusted, contributions to YoY growth of GDP in p.p.

Graph C.1.8: Ratio of Exports and Imports of Goods and Services to GDP (*nominal*)

yearly moving sums, in %



Graph C.1.9: GDP - Income Structure

yearly moving sums, in %

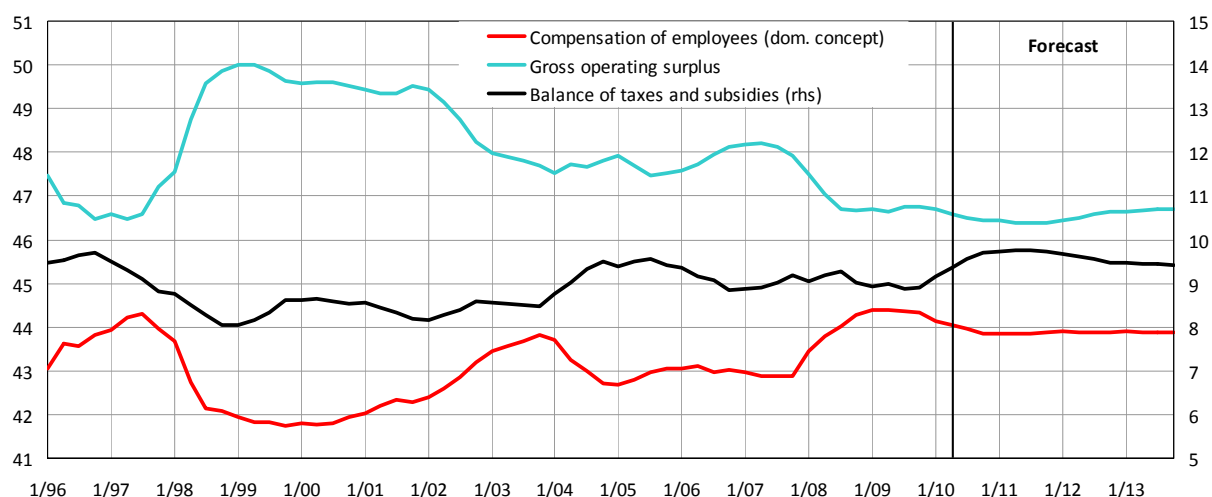


Table C.1.5: GDP – by type of income – yearly

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
							Prelim.	Forecast	Forecast	Outlook	Outlook
GDP	bill. CZK	2815	2984	3222	3535	3689	3628	3678	3814	4018	4245
	growth in %	9,2	6,0	8,0	9,7	4,3	-1,7	1,4	3,7	5,4	5,6
Balance of taxes and subsidies	bill. CZK	267	281	285	325	333	323	357	371	381	399
	growth in %	22,2	5,1	1,6	13,8	2,5	-3,1	10,7	4,0	2,6	4,8
– Taxes on production and imports	bill. CZK	331	353	363	407	418	424	457	473	487	507
	growth in %	15,5	6,4	2,9	12,0	2,9	1,4	7,7	3,5	2,9	4,2
– Subsidies on production	bill. CZK	64	72	78	82	85	102	100	101	105	108
	growth in %	-5,9	12,2	7,8	5,4	4,1	19,3	-1,8	1,8	4,0	2,0
Compensation of employees	bill. CZK	1202	1285	1386	1516	1634	1609	1612	1674	1764	1863
	growth in %	6,5	6,9	7,9	9,4	7,7	-1,5	0,2	3,8	5,4	5,7
– Wages and salaries	bill. CZK	907	970	1047	1145	1245	1244	1241	1288	1357	1434
	growth in %	6,3	6,9	7,9	9,4	8,7	-0,1	-0,3	3,8	5,4	5,7
– Social security contributions	bill. CZK	295	315	339	371	389	365	372	386	407	430
	growth in %	7,0	6,7	7,8	9,5	4,7	-6,2	2,0	3,8	5,4	5,6
Gross operating surplus	bill. CZK	1345	1418	1551	1694	1722	1697	1709	1769	1874	1983
	growth in %	9,4	5,4	9,3	9,3	1,6	-1,5	0,7	3,5	5,9	5,8
– Consumption of capital	bill. CZK	538	554	576	611	639	655	668	688	708	730
	growth in %	5,7	3,0	4,1	6,1	4,6	2,4	2,0	3,0	3,0	3,0
– Net operating surplus	bill. CZK	808	865	974	1083	1083	1042	1041	1081	1165	1253
	growth in %	12,1	7,0	12,7	11,1	0,0	-3,8	-0,1	3,8	7,8	7,5

Table C.1.6: GDP - by type of income – quarterly

		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Prelim.	Prelim.	Prelim.	Prelim.	Prelim.	Estimate	Forecast	Forecast
GDP	bill. CZK	876	918	909	925	871	924	931	953
	growth in %	-0,1	-1,9	-2,8	-1,7	-0,6	0,7	2,4	3,0
Balance of taxes and subsidies	bill. CZK	71	88	92	71	80	97	101	80
	growth in %	-5,1	0,2	-5,7	-1,7	12,2	9,6	9,3	12,3
Compensation of employees	bill. CZK	397	397	388	426	387	396	395	434
	growth in %	0,8	-1,9	-3,2	-1,7	-2,4	-0,2	1,7	1,8
– Wages and salaries	bill. CZK	302	305	305	333	295	302	307	336
	growth in %	1,2	-0,8	-0,5	-0,2	-2,2	-1,0	0,9	1,0
– Social security contributions	bill. CZK	95	92	84	93	92	95	87	98
	growth in %	-0,7	-5,5	-12,1	-6,7	-3,0	2,5	4,4	4,5
Gross operating surplus	bill. CZK	408	433	428	428	403	431	435	439
	growth in %	-0,1	-2,3	-1,8	-1,7	-1,1	-0,3	1,5	2,6

C.2 Prices of Goods and Services

Sources: CZSO, MoF estimates.

Table C.2.1: Prices of Goods and Services – yearly

		2003	2004	2005	2006	2007	2008	2009	2010 <i>Forecast</i>	2011 <i>Forecast</i>	2012 <i>Outlook</i>
Consumer Price Index											
average of a year	<i>average 2005=100</i>	95,5	98,2	100,0	102,5	105,4	112,1	113,3	115,1	118,0	120,2
	<i>growth in %</i>	0,1	2,8	1,9	2,5	2,8	6,3	1,0	1,6	2,5	1,9
end of a year	<i>average 2005=100</i>	95,8	98,5	100,6	102,3	107,9	111,8	112,9	115,8	118,4	121,0
	<i>growth in %</i>	1,0	2,8	2,2	1,7	5,4	3,6	1,0	2,6	2,2	2,2
– of which contribution of											
administrative measures ¹⁾	<i>percentage points</i>	0,3	1,7	1,9	0,8	2,2	4,3	1,0	1,9	1,8	1,0
market increase	<i>percentage points</i>	0,7	1,1	0,4	0,8	3,3	-0,7	0,0	0,7	0,4	1,2
HICP	<i>average 2005=100</i>	96,0	98,4	100,0	102,1	105,1	111,7	112,4	113,9	116,5	118,5
	<i>growth in %</i>	-0,1	2,6	1,6	2,1	3,0	6,3	0,6	1,4	2,3	1,7
Deflators											
GDP	<i>average 2000=100</i>	108,8	113,8	113,4	114,7	118,6	120,8	123,9	123,6	125,2	127,8
	<i>growth in %</i>	0,9	4,5	-0,3	1,1	3,4	1,8	2,6	-0,2	1,3	2,1
Domestic final use	<i>average 2000=100</i>	104,2	107,8	108,9	111,3	114,2	118,2	119,5	120,6	122,7	124,5
	<i>growth in %</i>	0,6	3,5	1,0	2,2	2,6	3,5	1,1	0,9	1,8	1,5
Consumption of households	<i>average 2000=100</i>	104,8	108,2	109,1	110,7	113,9	119,5	119,9	121,6	124,5	126,9
	<i>growth in %</i>	-0,4	3,3	0,8	1,4	2,9	4,9	0,3	1,4	2,4	1,9
Consumption of government	<i>average 2000=100</i>	110,5	118,0	121,5	125,3	130,1	135,2	137,8	138,8	140,4	142,2
	<i>growth in %</i>	2,4	6,8	3,0	3,1	3,8	3,9	2,0	0,7	1,2	1,3
Fixed capital formation	<i>average 2000=100</i>	99,8	101,5	101,8	103,0	104,0	104,7	106,3	106,5	107,6	108,4
	<i>growth in %</i>	1,0	1,8	0,2	1,3	0,9	0,7	1,6	0,2	1,0	0,7
Exports of goods and services	<i>average 2000=100</i>	94,3	96,9	94,7	93,5	93,4	88,6	87,5	85,6	84,6	84,7
	<i>growth in %</i>	0,1	2,7	-2,2	-1,3	-0,1	-5,2	-1,2	-2,1	-1,2	0,2
Imports of goods and services	<i>average 2000=100</i>	88,8	90,0	89,5	89,5	88,4	85,1	82,0	81,4	80,7	80,1
	<i>growth in %</i>	-0,4	1,3	-0,5	-0,1	-1,2	-3,7	-3,6	-0,8	-0,9	-0,8
Terms of trade	<i>average 2000=100</i>	106,2	107,6	105,8	104,5	105,7	104,1	106,6	105,2	104,8	105,8
	<i>growth in %</i>	0,5	1,4	-1,7	-1,2	1,2	-1,6	2,5	-1,4	-0,4	1,0

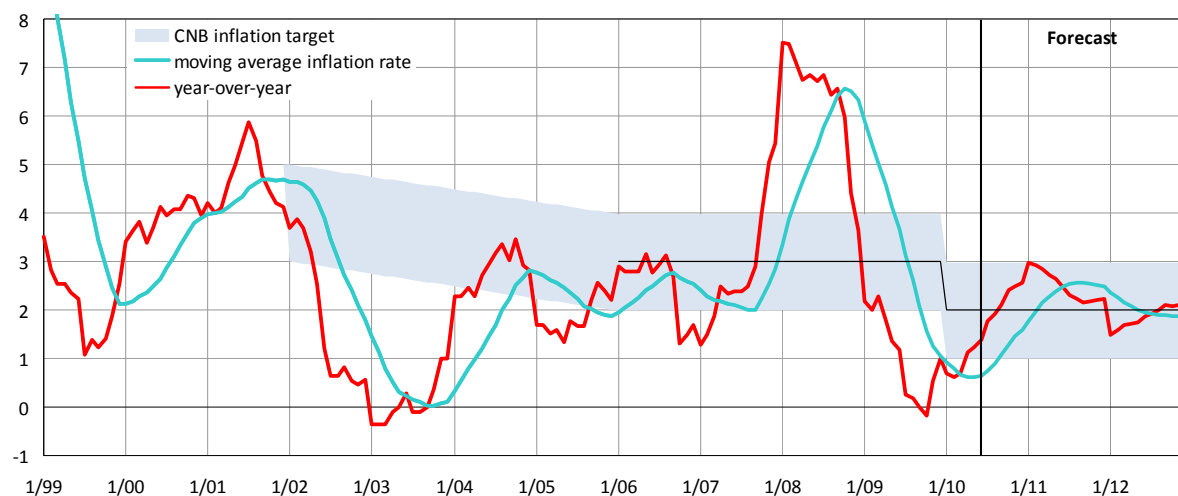
¹⁾ The contribution of increase in regulated prices and in indirect taxes to increase of December YoY consumer price inflation.

Table C.2.2: Prices of Goods and Services - quarterly

		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	
Consumer Price Index	<i>average 2005=100</i>	113,7	113,7	113,1	112,7	114,4	115,2	115,3	115,5
	<i>growth in %</i>	2,2	1,4	0,1	0,4	0,7	1,2	1,9	2,5
Contributions:									
administrative measures	<i>percentage points</i>	2,6	2,3	1,7	1,0	1,0	1,3	1,7	1,9
market increase	<i>percentage points</i>	-0,4	-0,9	-1,5	-0,6	-0,3	-0,1	0,2	0,6
HICP	<i>average 2005=100</i>	112,7	112,9	112,2	111,6	113,1	114,0	114,2	114,2
	<i>growth in %</i>	1,5	1,0	-0,1	0,0	0,4	1,0	1,8	2,3
GDP deflator	<i>average 2000=100</i>	124,4	123,8	122,8	124,4	122,4	122,2	123,7	126,0
	<i>growth in %</i>	3,6	3,3	2,3	1,3	-1,6	-1,3	0,7	1,3
Domestic final use deflator	<i>average 2000=100</i>	119,3	119,5	118,6	120,4	119,0	120,4	120,4	122,4
	<i>growth in %</i>	2,2	1,5	0,1	0,7	-0,2	0,7	1,4	1,7
Terms of trade	<i>average 2000=100</i>	107,2	106,6	106,6	106,2	105,4	103,7	105,6	106,0
	<i>growth in %</i>	1,9	2,6	3,4	1,9	-1,6	-2,7	-1,0	-0,2

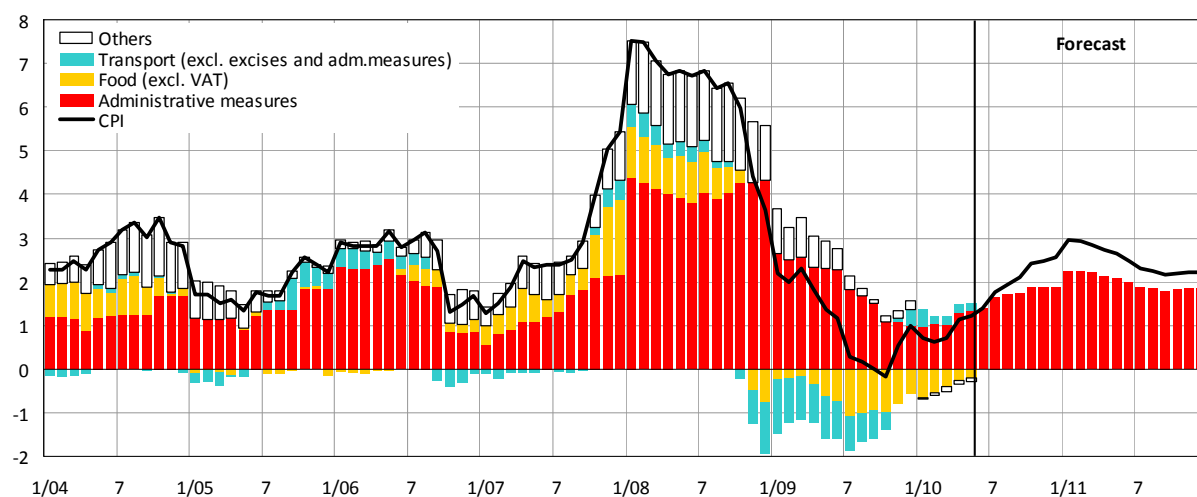
Graph C.2.1: Consumer Prices

YoY growth rate, in %



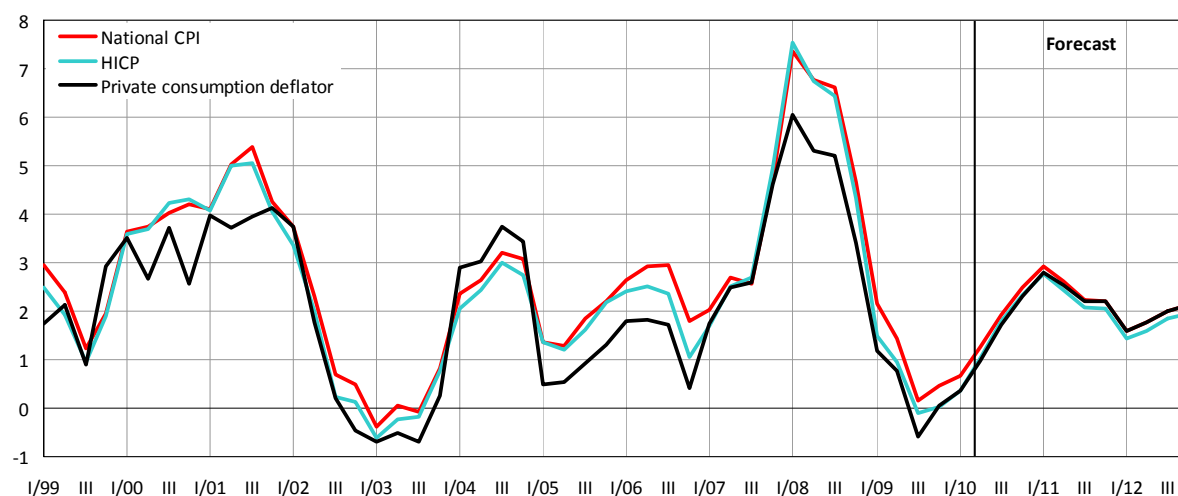
Graph C.2.2: Consumer Prices

decomposition of the YoY increase in consumer prices, in percentage points



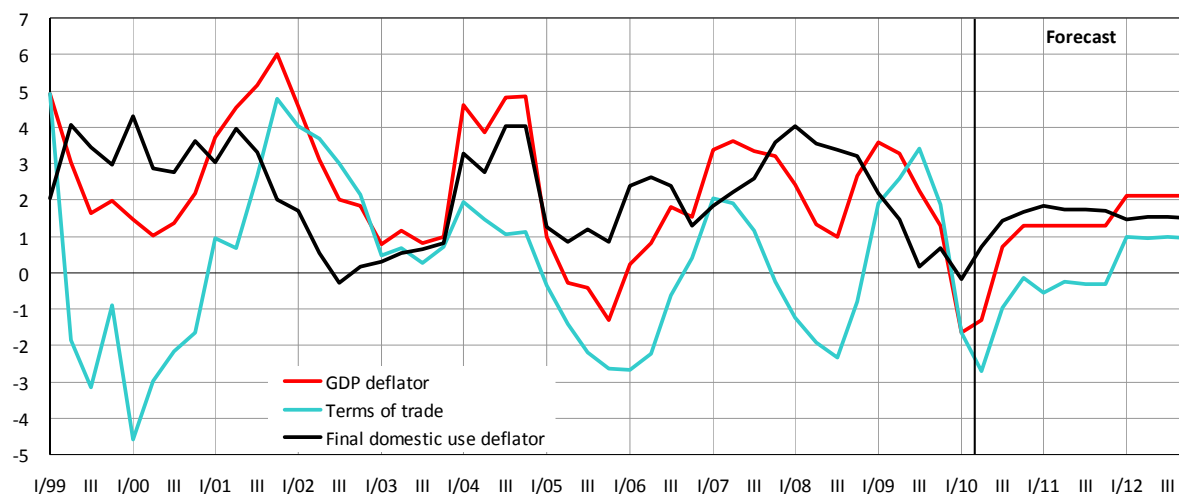
Graph C.2.3: Indicators of Consumer Prices

YoY increases, in %



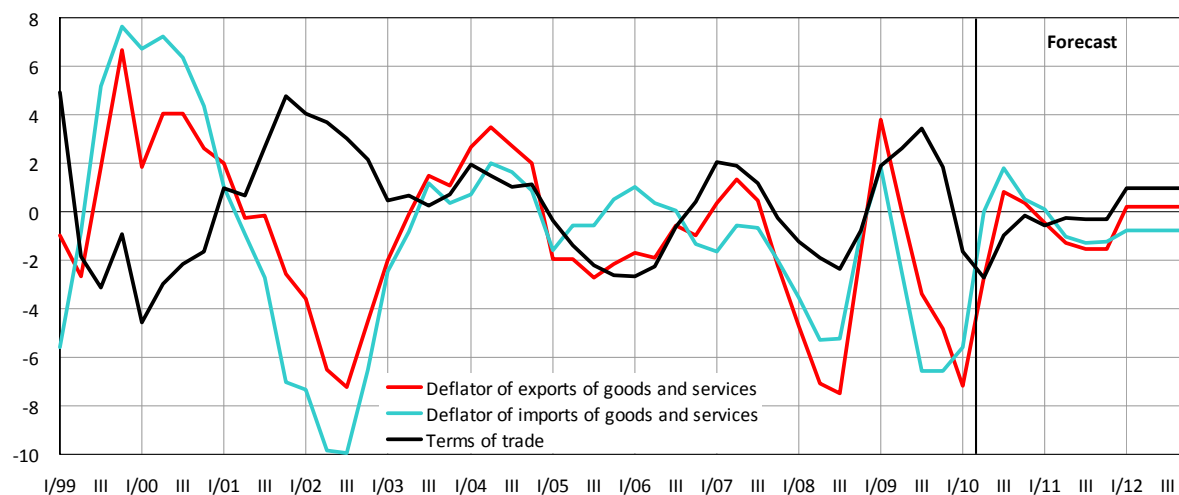
Graph C.2.4: GDP Deflator

YoY indices of final domestic use deflator and terms of trade, in %



Graph C.2.5: Terms of Trade

YoY increases, in %



C.3 Labour Market

Sources: CZSO, Min. of Industry and Trade, Min. of Labour and Social Affairs, MoF estimates.

Table C.3.1: Employment – yearly

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
									Forecast	Forecast	Outlook
Labour Force Survey											
Employment	average in thous.persons	4733	4707	4764	4828	4922	5002	4934	4864	4893	4929
	growth in %	-0,7	-0,6	1,2	1,3	1,9	1,6	-1,4	-1,4	0,6	0,7
– employees	average in thous.persons	3922	3914	4001	4048	4125	4196	4107	4026	4051	4077
	growth in %	-2,0	-0,2	2,2	1,2	1,9	1,7	-2,1	-2,0	0,6	0,7
– entrepreneurs and self-employed	average in thous.persons	811	792	763	780	797	807	827	838	842	852
	growth in %	6,4	-2,4	-3,7	2,2	2,2	1,2	2,6	1,3	0,5	1,1
Unemployment	average in thous.persons	399	426	410	371	276	230	352	398	383	360
Unemployment rate	average in per cent	7,8	8,3	7,9	7,1	5,3	4,4	6,7	7,6	7,3	6,8
Labour force	average in thous.persons	5132	5133	5174	5199	5198	5232	5286	5262	5276	5289
	growth in %	-0,1	0,0	0,8	0,5	0,0	0,7	1,0	-0,5	0,3	0,2
Productive-age (15–64) population	average in thous.persons	7214	7247	7270	7307	7347	7410	7431	7428	7399	7354
	growth in %	0,4	0,4	0,3	0,5	0,5	0,9	0,3	0,0	-0,4	-0,6
Employment/Pop. 15–64	average in per cent	65,6	64,9	65,5	66,1	67,0	67,5	66,4	65,5	66,1	67,0
Employment rate 15–64¹⁾	average in per cent	64,9	64,2	64,8	65,3	66,1	66,6	65,4	64,4	65,0	65,8
Labour force/Pop. 15–64	average in per cent	71,1	70,8	71,2	71,2	70,8	70,6	71,1	70,8	71,3	71,9
Participation rate 15–64²⁾	average in per cent	70,4	70,1	70,4	70,3	69,8	69,7	70,1	69,7	70,1	70,6
SNA											
Employment	average in thous.persons	4923	4940	4992	5088	5224	5288	5226	5167	5208	5251
(domestic concept)	growth in %	-1,3	0,3	1,0	1,9	2,7	1,2	-1,2	-1,1	0,8	0,8
Hours worked	bill. hours	9,58	9,65	9,81	9,97	10,18	10,37	9,88	9,78	9,87	9,98
	growth in %	-1,3	0,8	1,6	1,7	2,0	1,9	-4,7	-1,0	0,9	1,2
Hours worked / employment	hours	1945	1954	1965	1960	1948	1962	1891	1892	1894	1901
	growth in %	0,1	0,4	0,6	-0,2	-0,6	0,7	-3,6	0,1	0,1	0,4
Registered unemployment											
Unemployment	average in thous.persons	521,6	537,4	514,3	474,8	392,8	324,6	465,6	527	503	469
Unemployment rate ³⁾	average in per cent	9,90	10,24	9,79	.	.	.	.	.	.	.
	average in per cent	.	9,2	8,97	8,13	6,62	5,44	7,97	9,0	8,7	8,1
Registered foreign workers											
Total	average in thous.persons	163,2	169,4	195,2	233,2	276,2	343,5	335,4	.	.	.
	growth in %	-2,6	3,8	15,3	19,4	18,5	24,4	-2,3	.	.	.
– employees	average in thous.persons	102,3	106,1	131,2	165,5	209,7	270,2	252,6	.	.	.
	growth in %	-3,5	3,7	23,7	26,1	26,7	28,8	-6,5	.	.	.
– self-employed	average in thous.persons	60,9	63,3	64,0	67,7	66,5	73,3	82,8	.	.	.
	growth in %	-1,1	3,9	1,2	5,7	-1,8	10,2	13,0	.	.	.

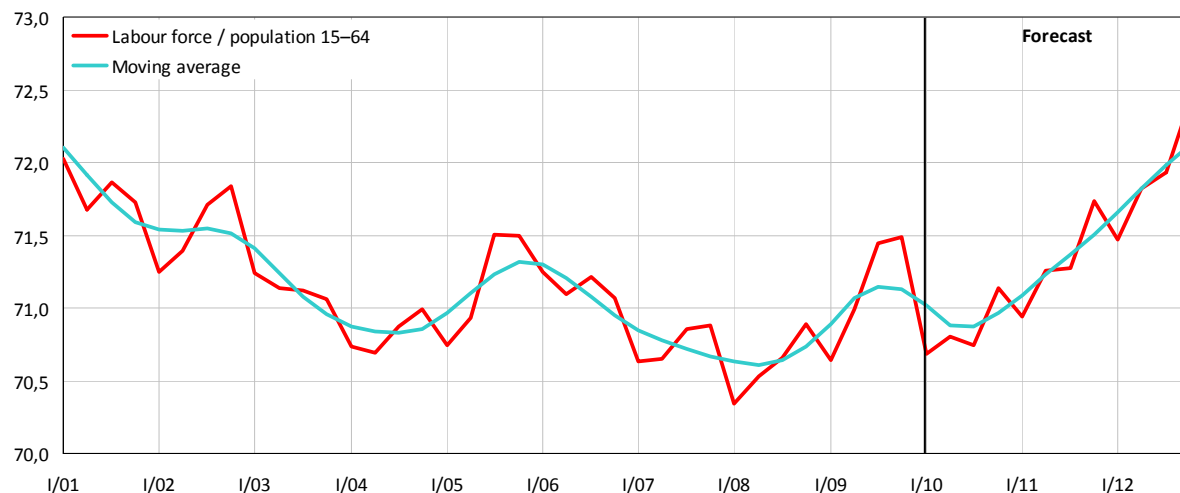
¹⁾ The indicator does not contain employment over 64 years.

²⁾ The indicator does not contain labour force over 64 years.

³⁾ Old methodology in the first row, new methodology in the second row.

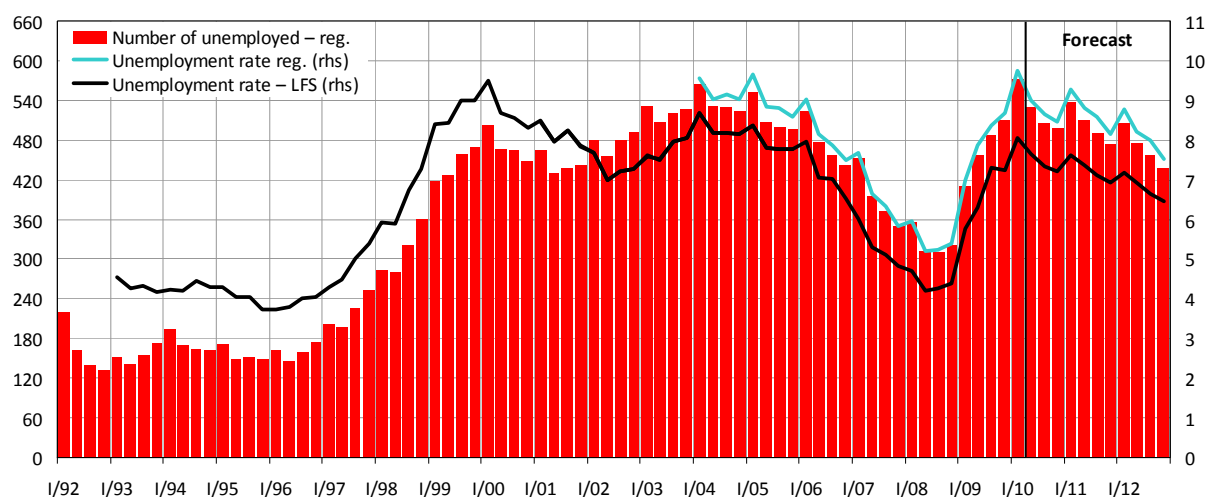
Table C.3.2: **Employment - quarterly**

			2009				2010			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
							Estimate	Estimate	Forecast	Forecast
Labour Force Survey										
Employment	<i>average in thous.persons</i>		4947	4941	4922	4927	4829	4857	4869	4901
	<i>growth in %</i>		-0,2	-1,2	-1,9	-2,1	-2,4	-1,7	-1,1	-0,5
– employees	<i>average in thous.persons</i>		4124	4119	4089	4096	3992	4019	4030	4062
	<i>growth in %</i>		-0,9	-1,8	-2,8	-2,9	-3,2	-2,4	-1,4	-0,8
– entrepreneurs and self-employed	<i>average in thous.persons</i>		823	823	833	831	837	838	839	839
	<i>growth in %</i>		3,2	1,8	3,0	2,2	1,7	1,9	0,8	1,0
Unemployment	<i>average in thous.persons</i>		303	334	387	385	423	403	385	381
Unemployment rate	<i>average in percent</i>		5,8	6,3	7,3	7,2	8,0	7,7	7,3	7,2
Labour force	<i>average in thous.persons</i>		5250	5275	5309	5312	5252	5259	5254	5282
	<i>growth in %</i>		0,9	1,0	1,3	0,9	0,0	-0,3	-1,0	-0,6
Productive-age (15–64) population	<i>average in thous.persons</i>		7432	7431	7430	7431	7430	7428	7427	7425
	<i>growth in %</i>		0,5	0,3	0,2	0,1	0,0	0,0	0,0	-0,1
Employment/Pop.15–64	<i>average in percent</i>		66,6	66,5	66,2	66,3	65,0	65,4	65,6	66,0
	<i>increase over a year</i>		-0,5	-1,1	-1,4	-1,5	-1,6	-1,1	-0,7	-0,3
Employment rate 15–64	<i>average in percent</i>		65,6	65,4	65,2	65,3	64,1	64,3	64,5	64,9
	<i>increase over a year</i>		-0,5	-1,2	-1,5	-1,6	-1,5	-1,1	-0,8	-0,4
Labour force/Pop.15–64	<i>average in percent</i>		70,6	71,0	71,4	71,5	70,7	70,8	70,7	71,1
	<i>increase over a year</i>		0,3	0,5	0,8	0,6	0,0	-0,2	-0,7	-0,3
Participation rate 15–64	<i>average in percent</i>		69,6	69,9	70,4	70,4	69,6	69,7	69,6	70,0
	<i>increase over a year</i>		0,2	0,3	0,7	0,5	0,0	-0,2	-0,8	-0,4
SNA										
Employment (domestic concept)	<i>average in thous.persons</i>		5235	5228	5220	5222	5126	5153	5179	5209
	<i>growth in %</i>		0,0	-0,9	-1,9	-1,9	-2,1	-1,4	-0,8	-0,2
Hours worked	<i>bill.</i>		2,51	2,57	2,35	2,46	2,46	2,54	2,33	2,45
	<i>growth in %</i>		-3,8	-4,0	-6,2	-5,2	-1,9	-1,1	-1,0	-0,2
Hours worked / employment	<i>hours</i>		479	491	450	471	480	493	449	471
	<i>growth in %</i>		-3,8	-3,1	-4,4	-3,3	0,2	0,3	-0,2	0,0
Registered unemployment										
Unemployment	<i>average in thous.persons</i>		409,2	456,8	487,1	509,2	571	531	507	498
Unemployment rate	<i>average in percent</i>		7,0	7,9	8,4	8,7	9,7	9,0	8,6	8,5
Registered foreign workers										
Total	<i>average in thous.persons</i>		348,4	336,5	331,8	324,8	315,0	.	.	.
	<i>growth in %</i>		10,4	-0,2	-6,5	-11,2	-9,6	.	.	.
– employees	<i>average in thous.persons</i>		270,1	255,0	247,2	238,1	222,8	.	.	.
	<i>growth in %</i>		9,9	-3,8	-11,9	-17,8	-17,5	.	.	.
– self-employed	<i>average in thous.persons</i>		78,3	81,5	84,6	86,8	92,2	.	.	.
	<i>growth in %</i>		12,1	12,8	13,6	13,6	17,7	.	.	.

Graph C.3.1: **Ratio of Labour Force to Population (15–64)**
in %

Graph C.3.2: Unemployment

quarterly average, in thousands of persons, in % (rhs)



Graph C.3.3: Economic Output and Unemployment

YoY increase of real GDP in % and change in unemployment in thous. persons

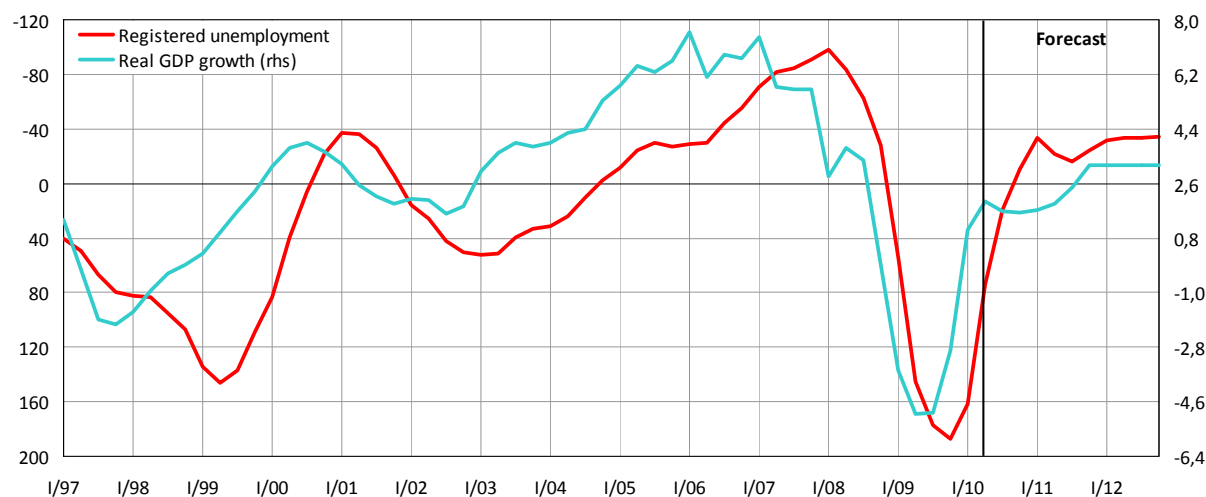


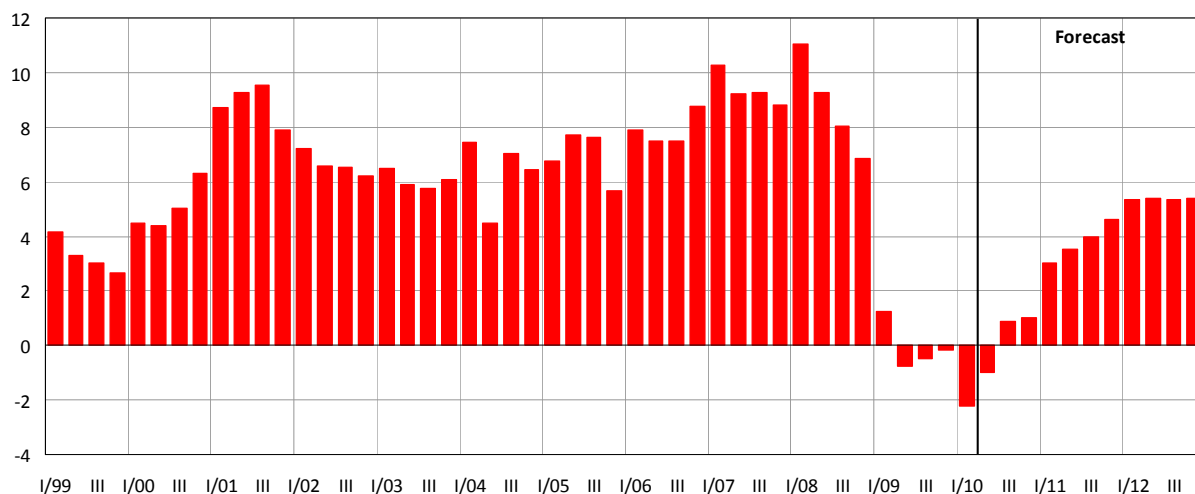
Table C.3.3: Labour Market - analytical indicators

			2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
										Forecast	Forecast	Outlook
Compensation per employee												
– nominal	growth in %		8,2	6,7	4,6	6,6	7,3	5,9	0,6	2,2	3,2	4,7
– real	growth in %		8,1	3,8	2,6	4,0	4,4	-0,4	-0,4	0,7	0,7	2,8
Average monthly wage ¹⁾												
– nominal	CZK		16 430	17 466	18 344	19 546	20 957	22 691	23 488	24 100	24 900	26 100
	growth in %		5,8	6,3	5,0	6,6	7,2	8,3	3,5	2,4	3,5	4,7
– real	CZK 2005		17 206	17 791	18 344	19 063	19 874	20 235	20 729	20 900	21 100	21 700
	growth in %		5,7	3,4	3,1	3,9	4,3	1,8	2,4	0,8	1,0	2,8
Labour productivity												
	growth in %		4,3	5,1	5,0	5,4	4,1	0,8	-2,8	3,1	1,7	2,5
Unit labour costs ²⁾												
	growth in %		3,8	1,5	-0,5	1,2	3,1	5,1	3,5	-0,8	1,4	2,2
Compensations of employees / GDP												
	%		43,8	42,7	43,1	43,0	42,9	44,3	44,3	43,8	43,9	43,9

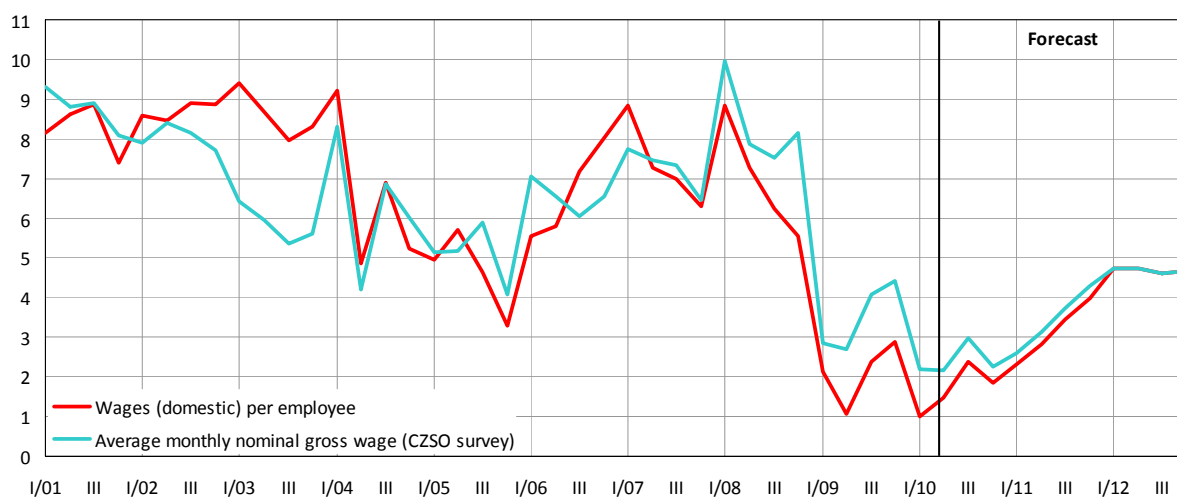
¹⁾ New time series: average wage is derived from full-time-equivalent employers in the entire economy.²⁾ Ratio of nominal compensation per employee to real productivity of labour.

Graph C.3.4: **Wage Bill – nominal, domestic concept**

YoY growth rate, in %

Graph C.3.5: **Average Nominal Wage**

YoY growth rate, in %

Graph C.3.6: **Ratio of Bank Loans to Households to GDP**

yearly moving sums of GDP, in %

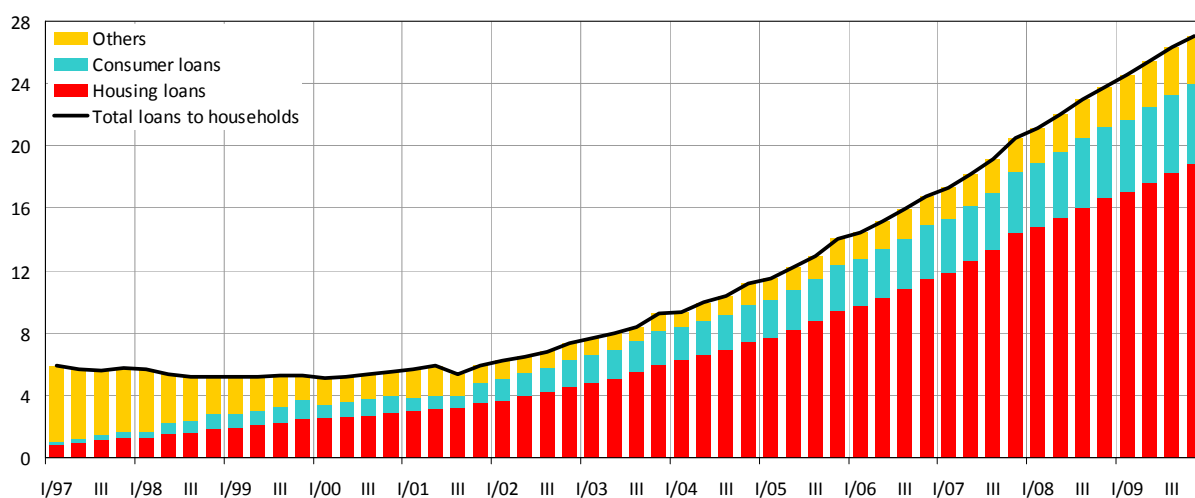


Table C.3.4: Income and Expenditures of Households – yearly

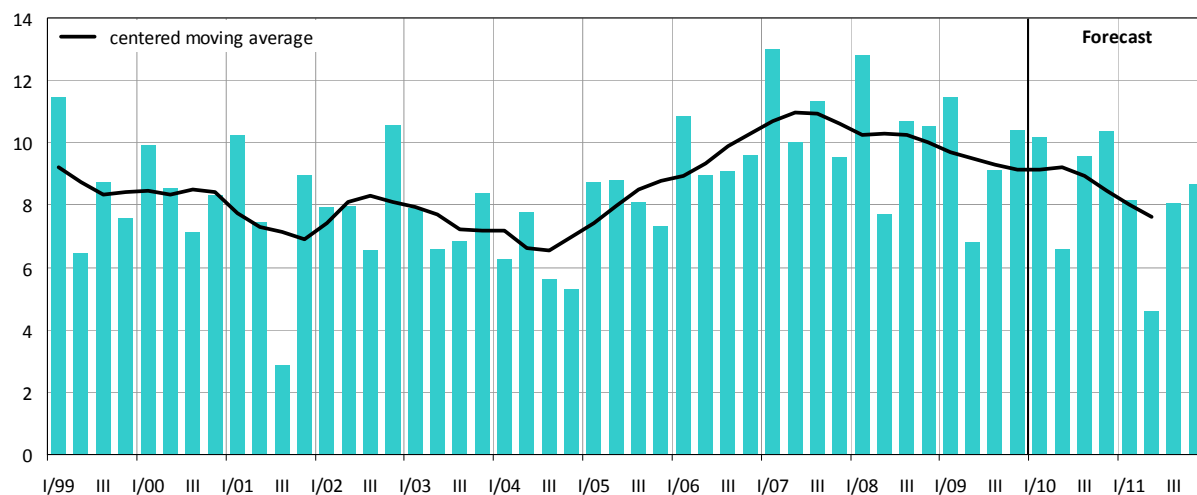
SNA methodology – national concept

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									Prelim.	Forecast	Forecast
Current income											
Compensation of employees	bill. CZK	1049	1120	1186	1273	1387	1511	1615	1575	1587	1644
	growth in %	6,8	6,8	5,9	7,3	8,9	8,9	6,8	-2,4	0,7	3,6
Gross mixed income	bill. CZK	395	425	449	446	470	505	543	515	515	528
	growth in %	1,2	7,5	5,7	-0,6	5,4	7,5	7,5	-5,2	0,0	2,5
Property income received	bill. CZK	98	97	109	120	133	158	165	122	116	120
	growth in %	-5,1	-1,1	12,7	9,6	11,2	18,5	4,5	-26,3	-5,0	3,5
Social benefits not-in-kind	bill. CZK	313	324	369	386	417	466	488	526	538	547
	growth in %	8,0	3,6	.	4,6	8,1	11,8	4,5	7,9	2,3	1,6
Other current transfers received	bill. CZK	85	91	93	103	113	122	137	146	152	159
	growth in %	7,8	6,8	2,9	10,1	9,8	8,4	12,2	6,3	4,0	5,0
Current expenditure											
Property income paid	bill. CZK	13	19	21	20	25	29	33	22	17	18
	growth in %	-18,0	49,0	12,4	-5,3	22,3	19,4	12,5	-34,3	-20,0	1,0
Current taxes on income and property	bill. CZK	115	128	138	140	141	157	152	138	145	154
	growth in %	8,0	11,9	7,6	1,7	0,7	10,9	-3,0	-8,9	4,5	6,7
Social contributions	bill. CZK	382	408	474	507	561	615	634	596	603	625
	growth in %	9,2	6,7	.	7,1	10,6	9,5	3,2	-6,1	1,3	3,6
Other current transfers paid	bill. CZK	82	93	100	109	118	129	141	150	153	163
	growth in %	3,4	13,7	7,2	9,2	8,6	9,3	9,1	6,7	2,0	6,0
Gross disposable income	bill. CZK	1348	1409	1474	1551	1675	1833	1987	1977	1988	2038
	growth in %	4,3	4,5	4,6	5,3	8,0	9,4	8,4	-0,5	0,5	2,5
Final consumption	bill. CZK	1248	1317	1399	1443	1537	1659	1804	1804	1819	1901
	growth in %	3,4	5,6	6,2	3,1	6,6	7,9	8,7	0,0	0,8	4,5
Change in share in pension funds	bill. CZK	11	13	17	19	23	26	24	14	14	14
Gross savings	bill. CZK	112	105	92	128	161	200	207	187	183	151
Capital transfers											
(income (-) / expenditure (+))	bill. CZK	-36	-21	-23	-25	-23	-23	-37	-38	-25	-25
Gross capital formation	bill. CZK	129	122	132	136	154	191	191	167	160	159
	growth in %	6,8	-5,1	7,8	2,6	13,5	24,2	-0,2	-12,4	-4,0	-1,0
Change in financial assets and liab.	bill. CZK	23	6	-18	20	30	32	39	43	47	17
Real disposable income	growth in %	2,4	4,4	1,8	3,3	5,3	6,4	1,9	-1,5	-1,0	0,0
Gross savings rate	%	8,3	7,4	6,2	8,2	9,6	10,9	10,4	9,5	9,2	7,4

Government payments to social security systems for non-active population have been imputed to social benefits and social security contributions since 2004.

Graph C.3.7: Gross Savings Rate of Households

in % of disposable income



C.4 External Relations

Sources: CNB, CZSO, Eurostat, MoF estimates

Table C.4.1: Balance of Payments - yearly

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
										Forecast	Forecast
Exports of goods (fob)	bill.CZK	1254	1371	1723	1869	2145	2479	2474	2131	.	.
	growth in %	-1,2	9,3	25,7	8,5	14,8	15,6	-0,2	-13,8	.	.
Imports of goods (fob) ¹⁾	bill.CZK	1326	1441	1736	1809	2079	2359	2371	1951	.	.
	growth in %	-4,4	8,7	.	4,2	14,9	13,4	0,5	-17,7	.	.
Balance of trade ¹⁾	bill.CZK	-71	-70	-13	59	65	121	103	181	257	262
of which:											
– mineral fuels (SITC 3) ²⁾	bill.CZK	-64	-68	-72	-110	-139	-124	-166	-105	-137	-157
– others ²⁾	bill.CZK	-7	-1	46	149	179	212	233	257	323	344
– difference fob–cif	bill.CZK	.	.	13	21	25	33	35	29	70	74
Exports of services	bill.CZK	231	219	247	282	314	342	370	385	.	.
	growth in %	-14,3	-5,2	.	14,3	11,2	8,8	8,4	4,0	.	.
Imports of services	bill.CZK	209	206	231	245	269	292	304	358	.	.
	growth in %	-1,1	-1,6	.	6,5	9,6	8,5	4,3	17,7	.	.
Balance of services	bill.CZK	22	13	17	37	45	50	66	27	-25	-22
Balance of income	bill.CZK	-116	-120	-157	-143	-167	-256	-174	-231	-233	-277
of which:											
– compensation of employees	bill.CZK	-18	-17	-16	-11	1	-5	-19	-14	-5	-9
– investment income	bill.CZK	-97	-103	-141	-132	-168	-251	-155	-217	-228	-268
Balance of transfers	bill.CZK	29	16	6	7	-20	-28	-17	-14	-1	0
Current account	bill.CZK	-136	-161	-147	-40	-77	-113	-23	-37	-3	-37
Capital account	bill.CZK	0	0	-14	5	8	20	30	41	29	28
Financial account	bill.CZK	348	157	177	155	92	126	59	95	.	.
– foreign direct investments	bill.CZK	271	54	102	280	90	179	36	26	.	.
– portfolio investments	bill.CZK	-47	-36	53	-81	-27	-57	-9	114	.	.
– other investments	bill.CZK	124	139	23	-44	29	4	32	-45	.	.
Change in reserves	bill.CZK	217	13	7	93	2	16	40	61	.	.
Gross external debt	bill.CZK	813	895	1012	1142	1194	1375	1607	1590	1612	1693
Balance of trade / GDP ¹⁾	per cent	-2,9	-2,7	-0,5	2,0	2,0	3,4	2,8	5,0	6,2	6,1
Current account / GDP	per cent	-5,5	-6,2	-5,2	-1,3	-2,4	-3,2	-0,6	-1,0	-0,1	-1,0
Financial account / GDP	per cent	14,1	6,1	6,3	5,2	2,9	3,6	1,6	2,6	.	.
Gross external debt / GDP ³⁾	per cent	33,0	34,7	35,9	38,3	37,0	38,9	43,6	43,8	44	44

Because of large discrepancies between balance of payments and quarterly national accounts values of exports and import of goods and services have not been forecasted.

¹⁾ Imports cif till April 2004, fob since May 2004

²⁾ Imports cif

³⁾ In CZK

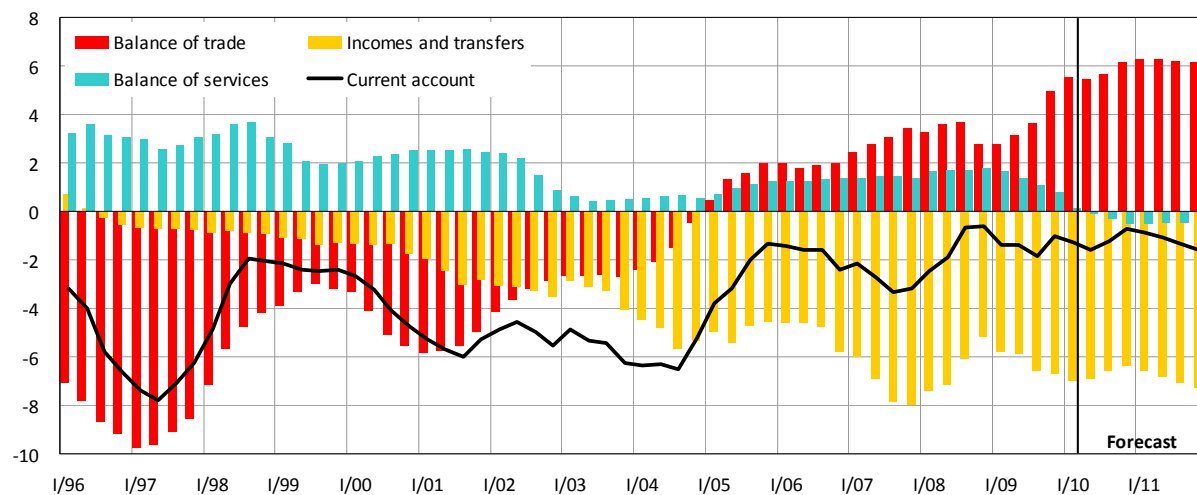
Table C.4.2: Balance of Payments - quarterly

		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
							Estimate	Forecast	Forecast
Exports of goods (fob)	bill.CZK	522	527	525	557	577	.	.	.
	growth in %	-19,1	-19,4	-13,0	-2,4	10,5	.	.	.
Imports of goods (fob)	bill.CZK	481	475	481	515	514	.	.	.
	growth in %	-20,2	-22,7	-16,6	-10,9	7,1	.	.	.
Balance of trade	bill.CZK	42	52	44	42	63	63	63	68
– mineral fuels (SITC 3) ¹⁾	bill.CZK	-28	-24	-25	-28	-30	-34	-36	-37
– others ¹⁾	bill.CZK	63	69	63	62	76	80	81	86
– difference fob–cif	bill.CZK	7	7	7	8	17	17	17	18
Exports of services	bill.CZK	96	99	95	95	91	.	.	.
	growth in %	10,1	5,8	2,4	-1,6	-5,3	.	.	.
Imports of services	bill.CZK	82	90	93	94	99	.	.	.
	growth in %	19,4	20,3	18,7	13,0	20,8	.	.	.
Balance of services	bill.CZK	15	9	3	0	-7	-7	-5	-6
Balance of income	bill.CZK	-36	-92	-60	-44	-38	-92	-60	-44
– compensation of employees	bill.CZK	-5	-3	-3	-2	-2	-1	-1	0
– investment income	bill.CZK	-31	-88	-56	-42	-36	-90	-58	-44
Balance of transfers	bill.CZK	4	-1	-11	-6	-1	0	0	0
Current account	bill.CZK	25	-31	-24	-8	16	-42	-11	11
Capital account	bill.CZK	15	5	5	16	2	5	6	16
Financial account	bill.CZK	-9	26	27	51	-29	.	.	.
– foreign direct investments	bill.CZK	15	0	-18	30	36	.	.	.
– portfolio investments	bill.CZK	-1	74	24	17	14	.	.	.
– other investments	bill.CZK	-22	-48	21	4	-79	.	.	.
Change in reserves	bill.CZK	36	6	-1	19	-7	.	.	.
Gross external debt	bill.CZK	1555	1519	1465	1590	1561	1610	1627	1612

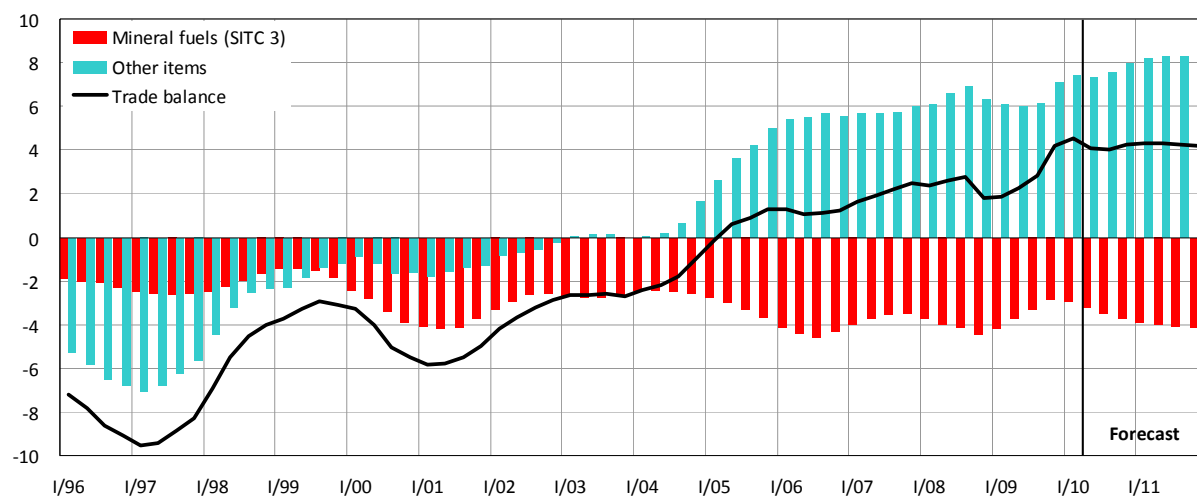
¹⁾ Imports cif

Graph C.4.1: Current Account

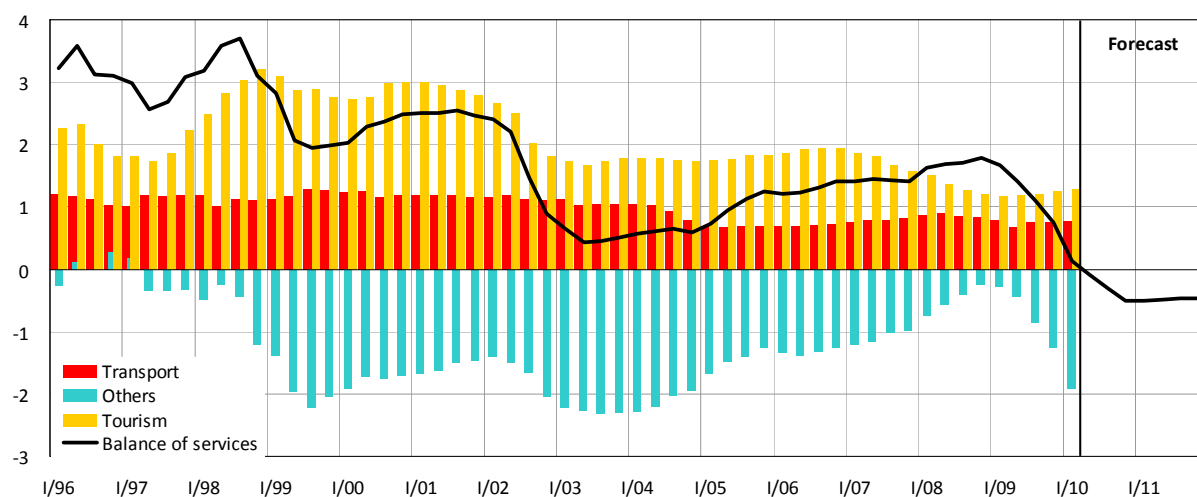
moving sums of the latest 4 quarters in per cent of GDP



Graph C.4.2: Balance of Trade (*exports fob, imports cif*)
moving sums of the latest 4 quarters in per cent of GDP



Graph C.4.3: Balance of Services
moving sums of the latest 4 quarters in per cent of GDP



Graph C.4.4: Balance of Income
moving sums of the latest 4 quarters in per cent of GDP

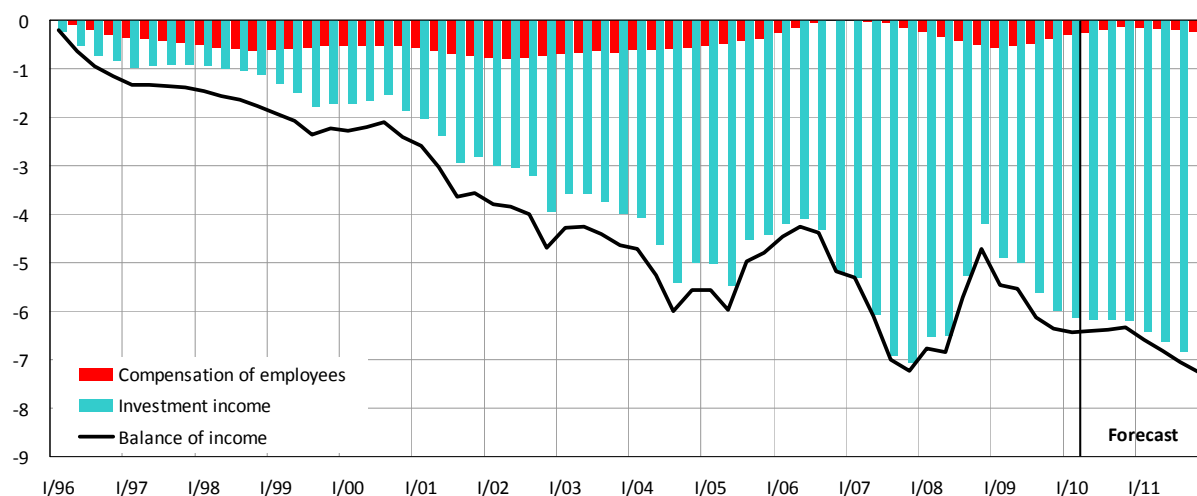


Table C.4.3: Decomposition of Exports of Goods – yearly

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
		Forecast Forecast									
GDP ¹⁾	average of 2000=100	102,7	103,7	105,8	108,0	112,4	116,8	118,9	114,2	116	119
	growth in %	1,0	1,1	2,0	2,1	4,0	3,9	1,8	-3,9	1,7	2,1
Import intensity ²⁾	average of 2000=100	101,3	105,8	112,3	118,7	128,0	130,8	130,6	120,7	126	131
	growth in %	0,0	4,4	6,1	5,7	7,9	2,1	-0,2	-7,6	4,8	3,3
Export markets ³⁾	average of 2000=100	104,0	109,8	118,8	128,2	143,9	152,7	155,2	137,8	147	155
	growth in %	1,0	5,5	8,2	7,9	12,2	6,1	1,6	-11,2	6,6	5,5
Export performance	average of 2000=100	116,1	120,2	136,7	141,4	146,8	160,3	166,7	160,3	168	171
	growth in %	4,8	3,6	13,7	3,4	3,9	9,1	4,0	-3,8	4,7	2,1
Real exports	average of 2000=100	120,8	132,0	162,4	181,3	211,3	244,8	258,7	220,8	246	265
	growth in %	5,9	9,3	23,0	11,6	16,6	15,8	5,7	-14,6	11,6	7,7
1 / NEER	average of 2000=100	85,9	85,9	85,3	80,3	76,4	74,5	66,7	69,2	68	66
	growth in %	-10,5	0,0	-0,7	-6,0	-4,8	-2,5	-10,4	3,7	-1,6	-3,3
Prices on foreign markets	average of 2000=100	107,8	107,8	110,9	114,6	118,5	121,4	127,5	122,8	122	125
	growth in %	4,2	0,0	2,8	3,3	3,4	2,4	5,0	-3,7	-0,4	2,2
Exports deflator	average of 2000=100	92,7	92,7	94,6	92,0	90,6	90,4	85,1	84,9	83	82
	growth in %	-6,7	0,0	2,1	-2,8	-1,5	-0,1	-5,9	-0,2	-2,0	-1,2
Nominal exports	average of 2000=100	111,9	122,3	153,7	166,7	191,3	221,1	220,0	187,3	205	218
	growth in %	-1,2	9,3	25,7	8,5	14,8	15,6	-0,5	-14,9	9,5	6,4

¹⁾ Weighted average of GDP of the seven most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland, France and Italy.

²⁾ Index of ratio of real imports of goods to real GDP.

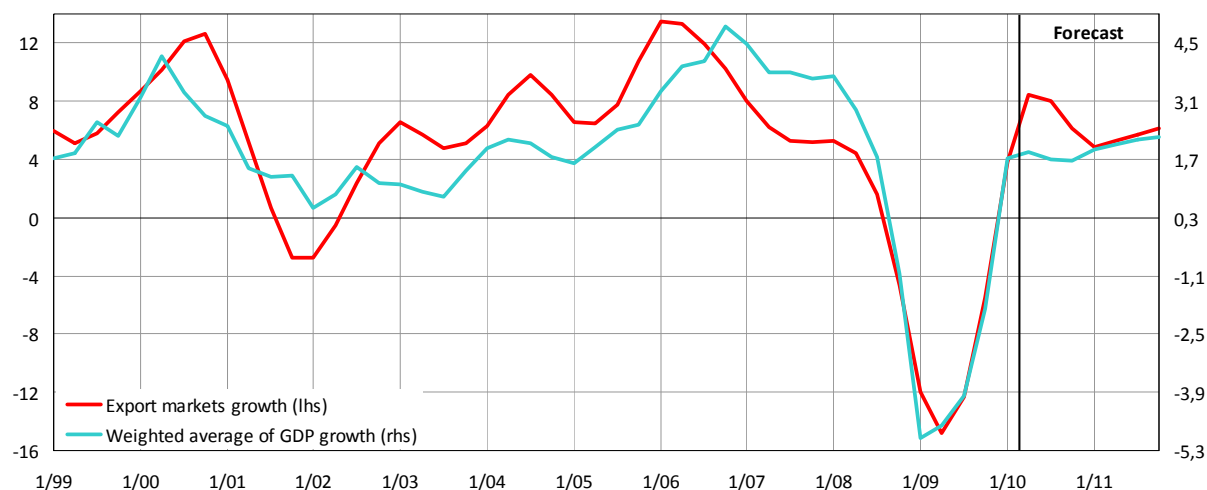
³⁾ Weighted average of imports of goods of the main partners.

Table C.4.4: Decomposition of Exports of Goods – quarterly

		2009				2010			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Estimate Forecast Forecast							
GDP	average of 2000=100	113,4	113,7	114,5	115,1	115,4	116	116	117
	growth in %	-5,1	-4,7	-4,0	-1,9	1,7	1,9	1,7	1,7
Import intensity	average of 2000=100	122,7	118,3	119,4	122,3	125,2	126	127	128
	growth in %	-7,3	-10,5	-8,6	-3,7	2,1	6,5	6,2	4,3
Export markets	average of 2000=100	139,1	134,6	136,6	140,7	144,5	146	148	149
	growth in %	-12,0	-14,8	-12,3	-5,5	3,8	8,5	8,0	6,1
Export performance	average of 2000=100	148,6	163,4	163,1	166,2	164,7	170	167	170
	growth in %	-12,1	-6,3	-0,9	5,0	10,8	4,0	2,2	2,2
Real exports	average of 2000=100	206,8	219,9	222,8	233,9	237,9	248	246	254
	growth in %	-22,6	-20,1	-13,1	-0,7	15,0	12,8	10,4	8,4
1 / NEER	average of 2000=100	72,3	69,8	67,0	67,7	68,5	68	68	67
	growth in %	6,0	5,4	3,7	-0,4	-5,2	-1,8	1,5	-0,5
Prices on foreign markets	average of 2000=100	124,0	122,6	122,2	122,3	121,6	122	122	124
	growth in %	-1,8	-4,2	-5,7	-3,2	-1,9	-0,8	-0,2	1,2
Exports deflator	average of 2000=100	89,6	85,5	81,9	82,8	83,3	83	83	83
	growth in %	4,1	1,0	-2,2	-3,5	-7,0	-2,6	1,3	0,7
Nominal exports	average of 2000=100	185,2	188,0	182,5	193,7	198,1	207	204	211
	growth in %	-19,4	-19,4	-15,1	-4,3	7,0	9,9	11,9	9,2

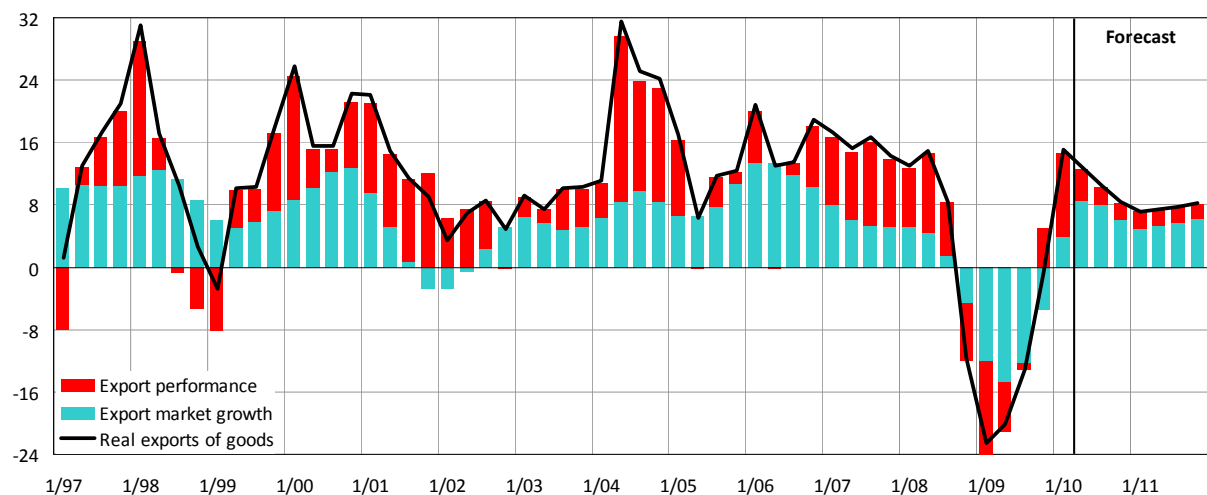
Graph C.4.5: GDP and Imports of Goods in Main Partner Countries

YoY growth, in %



Graph C.4.6: Real Exports of Goods

decomposition of YoY growth, in %



Graph C.4.7: Deflator of Exports of Goods

decomposition of YoY growth, in %

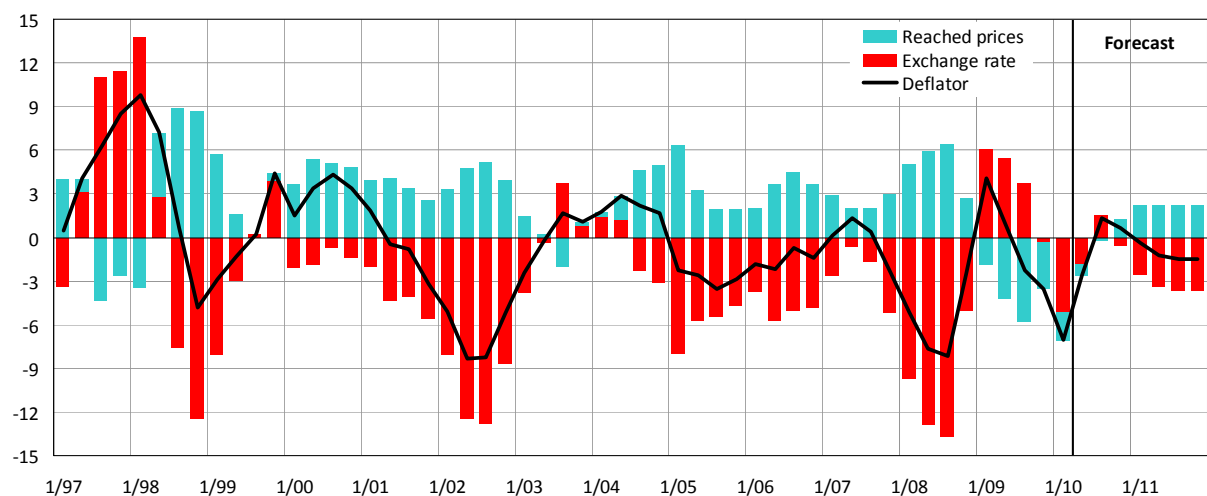
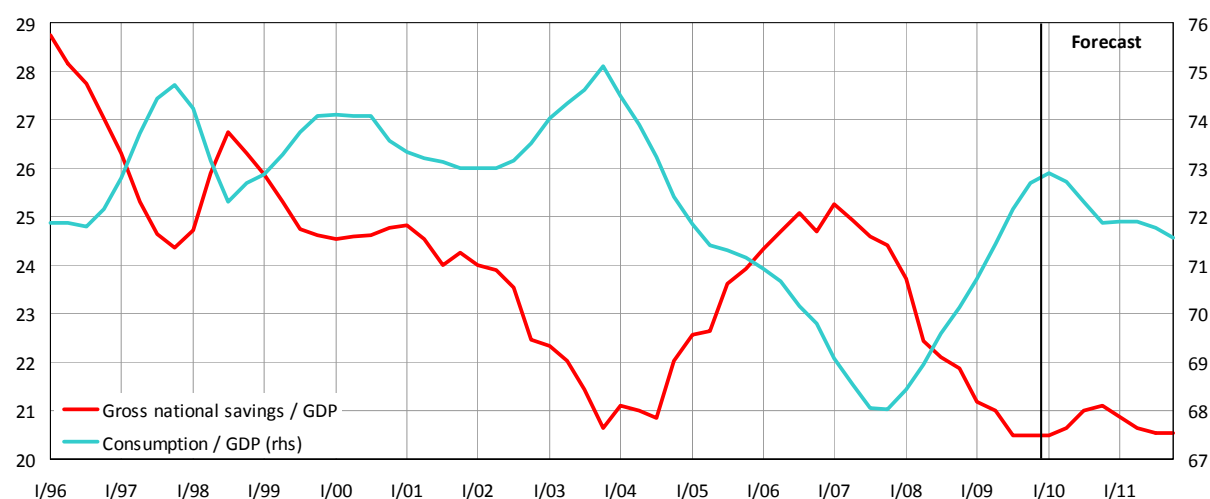


Table C.4.5: Savings and Investments – yearly

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									Prelim.	Forecast	Forecast
Gross capital formation	% of GDP	28,6	27,2	27,5	25,7	26,8	27,0	25,3	21,8	21,8	22,1
– fixed capital formation	% of GDP	27,5	26,7	25,8	24,9	24,7	25,2	23,9	22,4	21,2	21,2
– change in stocks	% of GDP	1,1	0,5	1,7	0,8	2,1	1,8	1,4	-0,7	0,6	0,9
– government sector	% of GDP	3,9	4,4	4,7	4,9	5,0	4,6	4,9	5,1	5,6	5,8
– households	% of GDP	5,2	4,8	4,7	4,5	4,8	5,4	5,2	4,6	4,4	4,2
– non-financial and financial sectors	% of GDP	19,4	18,1	18,1	16,3	17,0	17,0	15,2	12,0	11,9	12,2
Gross national savings	% of GDP	22,4	20,7	22,0	23,9	24,7	24,4	21,9	20,5	21,7	21,2
– government sector	% of GDP	2,0	1,4	4,0	3,5	3,7	4,8	3,7	-0,9	1,6	2,1
– households	% of GDP	4,5	4,1	3,3	4,3	5,0	5,7	5,6	5,2	5,0	4,0
– non-financial and financial sectors	% of GDP	15,9	15,2	14,7	16,1	16,0	14,0	12,6	16,2	15,1	15,1
Financial balance											
– government sector	% of GDP	-1,9	-2,9	-0,7	-1,3	-1,3	0,2	-1,3	-6,0	-3,9	-3,7
– households	% of GDP	-0,7	-0,7	-1,4	-0,3	0,2	0,3	0,4	0,6	0,6	-0,2
– non-financial and financial sectors	% of GDP	-3,5	-2,9	-3,4	-0,1	-1,0	-3,0	-2,6	4,2	3,3	2,9
– methodological discrepancy	% of GDP	0,6	0,3	0,2	0,4	-0,3	-0,6	2,8	0,3	0,0	0,0
Current account BoP	% of GDP	-5,5	-6,2	-5,2	-1,3	-2,4	-3,2	-0,6	-1,0	-0,1	-1,0

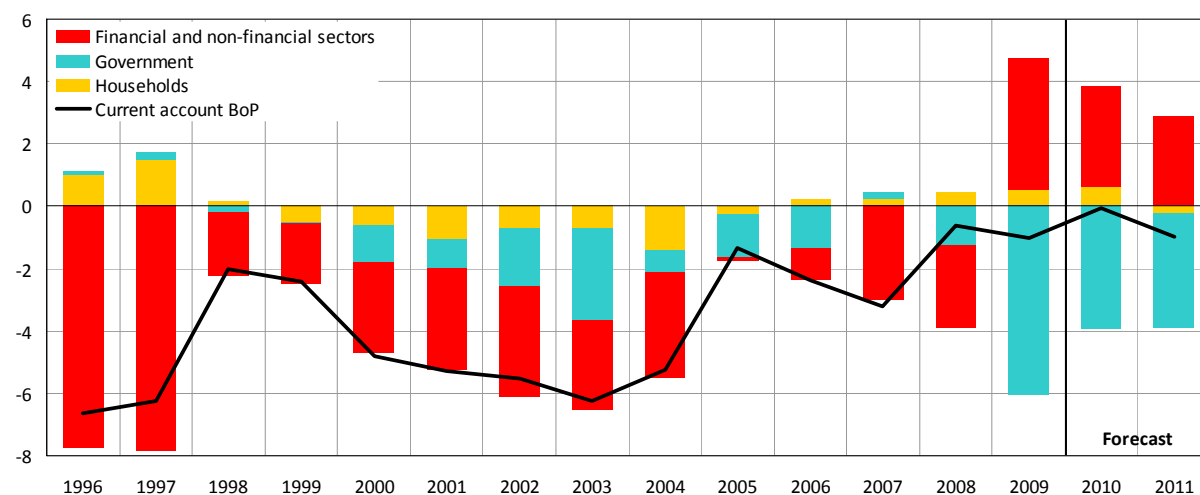
Graph C.4.8: Gross National Savings and Consumption

moving sums of the latest 4 quarters in per cent of GDP



Graph C.4.9: Financial Balances of Individual Sectors

savings minus investments as percent of GDP



C.5 International Comparisons

Sources: Eurostat, OECD, IMF, MoF estimates

Table C.5.1: GDP p.c. - using current purchasing power parities

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									Prelim.	Forecast	Forecast
Greece	PPS	18 500	19 200	20 400	20 600	22 000	23 100	23 600	22 300	21 200	21 000
	EA 12 = 100	80	83	85	83	84	84	86	87	82	79
Slovenia	PPS	16 800	17 300	18 700	19 700	20 700	22 100	22 800	20 500	20 700	21 400
	EA 12 = 100	73	75	78	79	79	80	83	80	80	81
Czech Republic	PPS	14 400	15 200	16 300	17 100	18 200	19 900	20 100	18 900	19 300	19 900
	EA 12 = 100	63	66	68	69	70	73	74	74	74	75
Portugal	PPS	16 300	16 400	16 700	17 800	18 600	19 500	19 700	18 400	18 500	18 800
	EA 12 = 100	71	71	70	72	71	71	72	72	72	71
Slovakia	PPS	11 100	11 500	12 300	13 500	15 000	16 900	18 100	16 900	17 500	18 400
	EA 12 = 100	48	50	52	54	57	61	66	66	67	69
Hungary	PPS	12 600	13 000	13 700	14 200	15 000	15 600	16 100	14 900	15 100	15 600
	EA 12 = 100	55	56	57	57	57	57	59	58	58	59
Estonia	PPS	10 200	11 300	12 400	13 800	15 400	17 100	16 900	14 600	14 500	15 300
	EA 12 = 100	44	49	52	56	59	63	62	57	56	58
Poland	PPS	9 900	10 100	11 000	11 500	12 300	13 600	14 100	14 300	14 800	15 400
	EA 12 = 100	43	44	46	46	47	49	52	56	57	58
Lithuania	PPS	9 000	10 200	10 900	11 900	13 100	14 800	15 500	12 500	12 400	12 900
	EA 12 = 100	39	44	46	48	50	54	57	49	48	49
Latvia	PPS	8 400	9 000	9 900	10 900	12 200	13 900	14 300	11 400	10 800	11 300
	EA 12 = 100	37	39	41	44	47	51	52	45	42	42

Graph C.5.1: GDP p.c. - using current purchasing power parities

EA 12 = 100

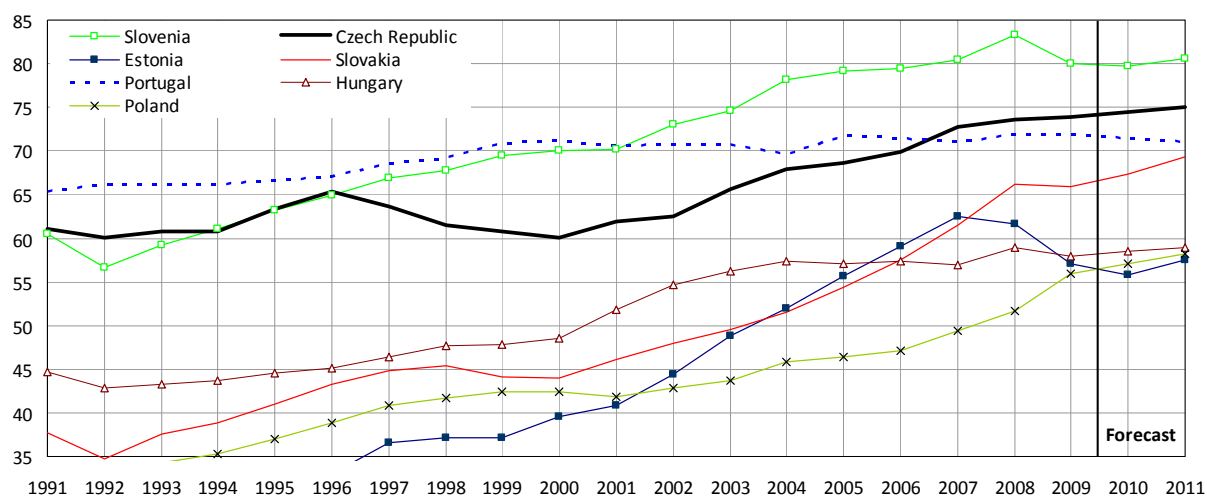
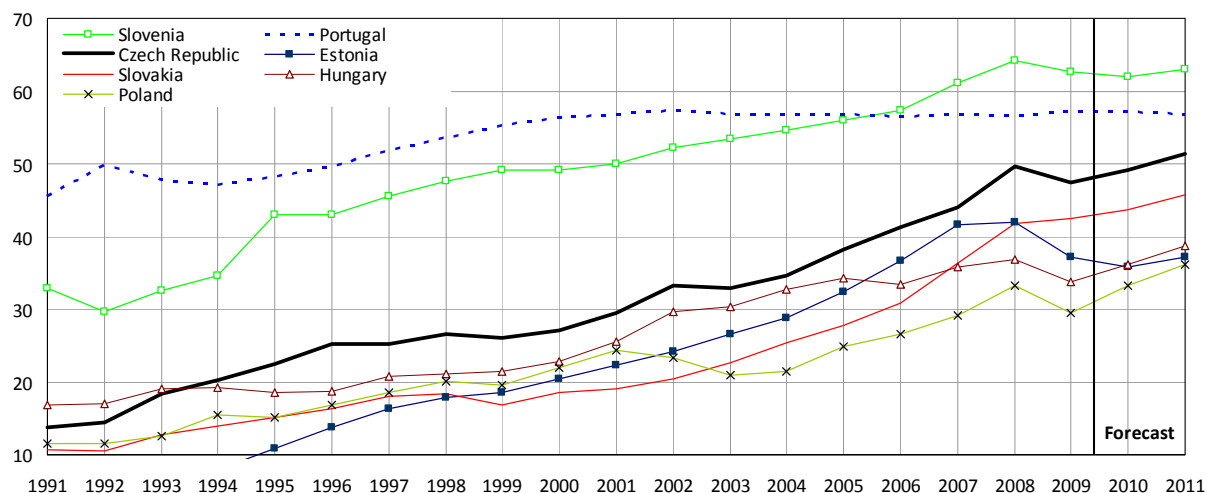


Table C.5.2: GDP p.c. - using current exchange rates

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
		Prelim. Forecast Forecast									
Greece	EUR	14 300	15 600	16 800	17 600	18 900	20 200	21 300	21 000	20 300	20 200
	EA 12 = 100	60	65	67	69	70	72	74	76	73	71
Comparative price level	EA 12 = 100	76	78	79	83	84	86	86	88	89	89
Slovenia	EUR	12 300	12 900	13 600	14 400	15 400	17 100	18 400	17 300	17 300	17 900
	EA 12 = 100	52	53	55	56	57	61	64	63	62	63
Comparative price level	EA 12 = 100	71	72	70	71	72	76	77	78	78	78
Czech Republic	EUR	7 800	7 900	8 600	9 800	11 100	12 300	14 200	13 100	13 700	14 600
	EA 12 = 100	33	33	35	38	41	44	50	47	49	51
Comparative price level	EA 12 = 100	53	50	51	56	59	61	67	64	66	68
Portugal	EUR	13 500	13 700	14 200	14 600	15 100	15 900	16 200	15 700	15 900	16 200
	EA 12 = 100	57	57	57	57	57	57	57	57	57	57
Comparative price level	EA 12 = 100	81	80	82	79	79	80	79	80	80	80
Slovakia	EUR	4 800	5 500	6 300	7 100	8 300	10 200	12 000	11 700	12 200	13 000
	EA 12 = 100	20	23	25	28	31	36	42	42	44	46
Comparative price level	EA 12 = 100	43	46	49	51	54	59	63	65	65	66
Hungary	EUR	7 000	7 300	8 200	8 800	8 900	10 100	10 500	9 300	10 100	11 000
	EA 12 = 100	30	30	33	34	33	36	37	34	36	39
Comparative price level	EA 12 = 100	54	54	57	60	58	63	62	58	62	66
Estonia	EUR	5 700	6 400	7 200	8 300	9 800	11 600	12 000	10 200	10 000	10 600
	EA 12 = 100	24	27	29	32	37	42	42	37	36	37
Comparative price level	EA 12 = 100	55	55	55	58	62	66	68	65	64	65
Poland	EUR	5 500	5 000	5 300	6 400	7 100	8 100	9 500	8 100	9 300	10 300
	EA 12 = 100	23	21	21	25	27	29	33	30	33	36
Comparative price level	EA 12 = 100	55	48	47	54	57	59	64	53	58	62
Lithuania	EUR	4 300	4 800	5 300	6 100	7 100	8 500	9 600	8 000	7 700	8 000
	EA 12 = 100	18	20	21	24	26	30	34	29	28	28
Comparative price level	EA 12 = 100	47	45	46	50	53	56	59	59	58	58
Latvia	EUR	4 200	4 300	4 800	5 700	7 000	9 300	10 200	8 200	7 300	7 400
	EA 12 = 100	18	18	19	22	26	33	36	30	26	26
Comparative price level	EA 12 = 100	49	46	47	50	56	66	68	67	63	61

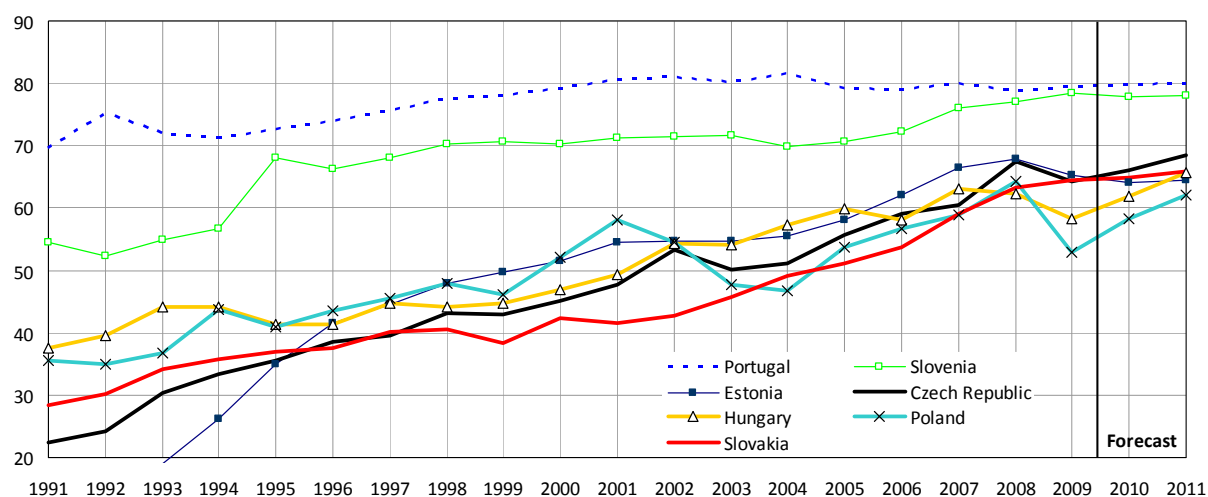
Graph C.5.2: GDP p.c. - using current exchange rates

EA 12 = 100



Graph C.5.3: Index of Comparative Price Level of GDP p.c.

EA 12 = 100



Extraordinary appendix: Tables of fiscal development in 2004 - 2009

1 Public budgets in the GFS 2001 methodology

Table 1-1: Consolidated general government - revenue in CZK bn

		2004	2005	2006	2007	2008	2009
Total revenue	<i>bill. CZK</i>	1 087.8	1 188.4	1 247.3	1 389.9	1 479.8	1 385.9
Revenue from operating activities	<i>bill. CZK</i>	1 077.2	1 176.1	1 233.2	1 377.1	1 464.2	1 358.7
Taxes	<i>bill. CZK</i>	572.2	625.7	637.8	716.0	742.8	660.4
Taxes on income, profits, and capital gains	<i>bill. CZK</i>	253.1	287.3	278.6	317.9	330.9	254.7
Payable by individuals	<i>bill. CZK</i>	133.3	142.4	136.8	151.5	143.3	127.5
Payable by corporations and other enterprises	<i>bill. CZK</i>	119.8	144.8	141.8	166.4	187.6	127.1
Taxes on property	<i>bill. CZK</i>	15.3	13.1	13.5	15.5	15.5	14.4
Taxes on goods and services	<i>bill. CZK</i>	299.4	325.3	345.7	382.5	396.3	391.1
Value added tax ¹⁾	<i>bill. CZK</i>	179.2	202.4	213.2	229.5	249.2	248.1
Excises	<i>bill. CZK</i>	95.8	110.6	119.5	138.9	133.0	131.1
Social contributions	<i>bill. CZK</i>	416.7	445.6	473.3	522.0	548.2	509.7
Social security contributions	<i>bill. CZK</i>	416.7	430.8	457.5	504.6	529.9	495.9
Employee contributions	<i>bill. CZK</i>	102.0	146.7	112.7	123.3	130.1	113.6
Employer contributions	<i>bill. CZK</i>	285.8	255.0	316.2	345.9	364.9	338.5
Self-employed or nonemployed contributions	<i>bill. CZK</i>	25.7	27.0	27.4	33.0	32.8	39.2
Other social contributions	<i>bill. CZK</i>	0.0	14.7	15.8	17.4	18.3	13.8
Grants	<i>bill. CZK</i>	24.8	31.6	35.9	47.4	60.5	79.6
From international organizations	<i>bill. CZK</i>	24.8	31.6	35.9	47.4	60.4	79.4
Current	<i>bill. CZK</i>	18.3	24.3	20.3	23.2	26.8	33.3
Capital	<i>bill. CZK</i>	6.5	7.3	15.6	24.2	33.6	46.2
Other revenue	<i>bill. CZK</i>	63.6	73.2	86.2	91.7	112.8	109.0
Property income	<i>bill. CZK</i>	27.2	17.6	22.3	23.3	37.5	37.1
Interest	<i>bill. CZK</i>	0.0	4.6	5.6	6.7	13.1	10.4
Dividends	<i>bill. CZK</i>	0.0	6.5	10.1	9.6	16.1	18.8
Sales of goods and services	<i>bill. CZK</i>	24.3	32.4	36.7	40.8	43.3	42.9
Sales of market establishments	<i>bill. CZK</i>	0.0	16.7	20.4	18.9	19.2	19.5
Administrative fees	<i>bill. CZK</i>	24.3	15.3	15.9	21.4	23.5	22.8
Fines, penalties, and forfeits	<i>bill. CZK</i>	3.8	4.3	4.7	5.1	3.5	5.5
Voluntary transfers other than grants	<i>bill. CZK</i>	1.5	13.3	12.0	13.1	11.9	15.0
Miscellaneous and unidentified revenue	<i>bill. CZK</i>	6.8	5.6	10.4	9.4	16.6	8.5
Sales of nonfinancial assets	<i>bill. CZK</i>	10.6	12.4	14.0	12.8	15.5	27.2
Fixed assets	<i>bill. CZK</i>	6.9	7.9	8.8	7.3	9.6	9.5
Nonproduced assets	<i>bill. CZK</i>	3.7	4.5	5.3	5.5	6.0	17.7

¹⁾ VAT consistent with the GFS 2001 methodology is reduced by the EU budget levies (see methodical window).

Table 1-2: Consolidated general government - revenue in % GDP

		2004	2005	2006	2007	2008	2009
Total revenue	<i>in % GDP</i>	38.6	39.8	38.7	39.3	40.1	38.2
Revenue from operating activities	<i>in % GDP</i>	38.3	39.4	38.3	39.0	39.7	37.5
Taxes	<i>in % GDP</i>	20.3	21.0	19.8	20.3	20.1	18.2
Taxes on income, profits, and capital gains	<i>in % GDP</i>	9.0	9.6	8.6	9.0	9.0	7.0
Payable by individuals	<i>in % GDP</i>	4.7	4.8	4.2	4.3	3.9	3.5
Payable by corporations and other enterprises	<i>in % GDP</i>	4.3	4.9	4.4	4.7	5.1	3.5
Taxes on property	<i>in % GDP</i>	0.5	0.4	0.4	0.4	0.4	0.4
Taxes on goods and services	<i>in % GDP</i>	10.6	10.9	10.7	10.8	10.7	10.8
Value added tax ¹⁾	<i>in % GDP</i>	6.4	6.8	6.6	6.5	6.8	6.8
Excises	<i>in % GDP</i>	3.4	3.7	3.7	3.9	3.6	3.6
Social contributions	<i>in % GDP</i>	14.8	14.9	14.7	14.8	14.9	14.1
Social security contributions	<i>in % GDP</i>	14.8	14.4	14.2	14.3	14.4	13.7
Employee contributions	<i>in % GDP</i>	3.6	4.9	3.5	3.5	3.5	3.1
Employer contributions	<i>in % GDP</i>	10.2	8.5	9.8	9.8	9.9	9.3
Self-employed or nonemployed contributions	<i>in % GDP</i>	0.9	0.9	0.8	0.9	0.9	1.1
Other social contributions	<i>in % GDP</i>	-	0.5	0.5	0.5	0.5	0.4
Grants	<i>in % GDP</i>	0.9	1.1	1.1	1.3	1.6	2.2
From international organizations	<i>in % GDP</i>	0.9	1.1	1.1	1.3	1.6	2.2
Current	<i>in % GDP</i>	0.6	0.8	0.6	0.7	0.7	0.9
Capital	<i>in % GDP</i>	0.2	0.2	0.5	0.7	0.9	1.3
Other revenue	<i>in % GDP</i>	2.3	2.5	2.7	2.6	3.1	3.0
Property income	<i>in % GDP</i>	1.0	0.6	0.7	0.7	1.0	1.0
Interest	<i>in % GDP</i>	-	0.2	0.2	0.2	0.4	0.3
Dividends	<i>in % GDP</i>	-	0.2	0.3	0.3	0.4	0.5
Sales of goods and services	<i>in % GDP</i>	0.9	1.1	1.1	1.2	1.2	1.2
Sales of market establishments	<i>in % GDP</i>	-	0.6	0.6	0.5	0.5	0.5
Administrative fees	<i>in % GDP</i>	0.9	0.5	0.5	0.6	0.6	0.6
Fines, penalties, and forfeits	<i>in % GDP</i>	0.1	0.1	0.1	0.1	0.1	0.2
Voluntary transfers other than grants	<i>in % GDP</i>	0.1	0.4	0.4	0.4	0.3	0.4
Miscellaneous and unidentified revenue	<i>in % GDP</i>	0.2	0.2	0.3	0.3	0.4	0.2
Sales of nonfinancial assets	<i>in % GDP</i>	0.4	0.4	0.4	0.4	0.4	0.7
Fixed assets	<i>in % GDP</i>	0.2	0.3	0.3	0.2	0.3	0.3
Nonproduced assets	<i>in % GDP</i>	0.1	0.2	0.2	0.2	0.2	0.5

¹⁾ VAT consistent with the GFS 2001 methodology is reduced by the EU budget levies (see methodical window).

Table 1-3: Consolidated general government – expenditure in CZK bn

		2004	2005	2006	2007	2008	2009
Total expense	<i>bill. CZK</i>	1 185.6	1 293.9	1 389.1	1 435.8	1 520.6	1 635.0
Expense for operating activities	<i>bill. CZK</i>	1 101.1	1 212.5	1 290.2	1 346.0	1 424.4	1 516.7
Compensation of employees	<i>bill. CZK</i>	112.2	120.7	127.7	136.3	141.5	146.6
Wages and salaries	<i>bill. CZK</i>	83.8	90.6	96.3	102.6	106.6	111.3
Social contributions	<i>bill. CZK</i>	28.4	30.2	31.5	33.8	34.9	35.3
Actual social contributions	<i>bill. CZK</i>	28.4	30.2	31.5	33.8	34.9	35.2
Use of goods and services	<i>bill. CZK</i>	118.1	114.1	125.6	124.8	133.4	148.1
Interest	<i>bill. CZK</i>	30.5	25.4	33.8	37.1	48.0	53.2
Subsidies	<i>bill. CZK</i>	237.9	234.8	253.8	266.0	272.6	301.9
To public corporations	<i>bill. CZK</i>	.	166.1	180.0	186.8	206.5	224.8
To private enterprises	<i>bill. CZK</i>	.	68.7	73.7	79.2	66.2	77.1
Grants	<i>bill. CZK</i>	15.4	24.5	24.3	26.7	29.0	30.3
To international organizations	<i>bill. CZK</i>	15.4	24.4	24.3	26.7	29.0	30.3
Current	<i>bill. CZK</i>	15.4	24.4	24.3	26.6	29.0	30.3
Social benefits	<i>bill. CZK</i>	478.9	502.8	543.6	587.6	618.0	663.7
Social security benefits	<i>bill. CZK</i>	478.9	502.8	543.6	587.6	618.0	663.6
Other expense	<i>bill. CZK</i>	108.2	190.3	181.4	167.5	181.8	172.9
Miscellaneous other expense	<i>bill. CZK</i>	108.2	190.3	181.4	167.5	181.8	172.9
Current	<i>bill. CZK</i>	32.9	44.3	48.7	44.5	50.1	50.1
Capital	<i>bill. CZK</i>	75.3	146.0	132.6	123.1	131.7	122.8
Purchases of nonfinancial assets	<i>bill. CZK</i>	84.4	81.4	98.9	89.8	96.1	118.3
Fixed assets	<i>bill. CZK</i>	79.8	78.4	95.8	87.3	93.3	115.8
Nonproduced assets	<i>bill. CZK</i>	4.7	2.9	3.0	2.4	2.8	2.5

Table 1-4: Consolidated general government – expenditure in % GDP

		2004	2005	2006	2007	2008	2009
Total expense	<i>in % GDP</i>	42.1	43.4	43.1	40.6	41.2	45.1
Expense for operating activities	<i>in % GDP</i>	39.1	40.6	40.0	38.1	38.6	41.8
Compensation of employees	<i>in % GDP</i>	4.0	4.0	4.0	3.9	3.8	4.0
Wages and salaries	<i>in % GDP</i>	3.0	3.0	3.0	2.9	2.9	3.1
Social contributions	<i>in % GDP</i>	1.0	1.0	1.0	1.0	0.9	1.0
Actual social contributions	<i>in % GDP</i>	1.0	1.0	1.0	1.0	0.9	1.0
Use of goods and services	<i>in % GDP</i>	4.2	3.8	3.9	3.5	3.6	4.1
Interest	<i>in % GDP</i>	1.1	0.9	1.0	1.1	1.3	1.5
Subsidies	<i>in % GDP</i>	8.5	7.9	7.9	7.5	7.4	8.3
To public corporations	<i>in % GDP</i>	.	5.6	5.6	5.3	5.6	6.2
To private enterprises	<i>in % GDP</i>	.	2.3	2.3	2.2	1.8	2.1
Grants	<i>in % GDP</i>	0.5	0.8	0.8	0.8	0.8	0.8
To international organizations	<i>in % GDP</i>	0.5	0.8	0.8	0.8	0.8	0.8
Current	<i>in % GDP</i>	0.5	0.8	0.8	0.8	0.8	0.8
Social benefits	<i>in % GDP</i>	17.0	16.8	16.9	16.6	16.8	18.3
Social security benefits	<i>in % GDP</i>	17.0	16.8	16.9	16.6	16.8	18.3
Other expense	<i>in % GDP</i>	3.8	6.4	5.6	4.7	4.9	4.8
Miscellaneous other expense	<i>in % GDP</i>	3.8	6.4	5.6	4.7	4.9	4.8
Current	<i>in % GDP</i>	1.2	1.5	1.5	1.3	1.4	1.4
Capital	<i>in % GDP</i>	2.7	4.9	4.1	3.5	3.6	3.4
Purchases of nonfinancial assets	<i>in % GDP</i>	3.0	2.7	3.1	2.5	2.6	3.3
Fixed assets	<i>in % GDP</i>	2.8	2.6	3.0	2.5	2.5	3.2
Nonproduced assets	<i>in % GDP</i>	0.2	0.1	0.1	0.1	0.1	0.1

Table 1-5: Consolidated general government – balances in CZK bn

		2004	2005	2006	2007	2008	2009
CASH DEFICIT/SURPLUS	<i>bill. CZK</i>	-97.7	-105.5	-141.8	-45.9	-40.8	-249.1
Fiscal targeting CASH DEFICIT/SURPLUS¹⁾	<i>bill. CZK</i>	-76.2	-57.7	-102.0	-40.1	-38.5	-231.2
Deficit / surplus of operating balance ²⁾	<i>bill. CZK</i>	-23.9	-36.4	-57.0	31.1	39.8	-158.0
Deficit / surplus of primary balance	<i>bill. CZK</i>	-67.2	-80.1	-108.0	-8.8	7.2	-195.9

Table 1-6: Consolidated general government – balances in % GDP

		2004	2005	2006	2007	2008	2009
CASH DEFICIT/SURPLUS	<i>in % GDP</i>	-3.5	-3.5	-4.4	-1.3	-1.1	-6.9
Fiscal targeting CASH DEFICIT/SURPLUS¹⁾	<i>in % GDP</i>	-2.7	-1.9	-3.2	-1.1	-1.0	-6.4
Deficit / surplus of operating balance ²⁾	<i>in % GDP</i>	-0.8	-1.2	-1.8	0.9	1.1	-4.4
Deficit / surplus of primary balance	<i>in % GDP</i>	-2.4	-2.7	-3.4	-0.2	0.2	-5.4

Table 1-7: General government balance structure – CZK bn

		2004	2005	2006	2007	2008	2009
State budget ¹⁾	<i>bill. CZK</i>	-57.0	-64.4	-137.9	-62.9	-78.1	-221.5
Extrabudgetary funds total	<i>bill. CZK</i>	-33.2	-48.9	-2.3	-11.1	10.5	3.6
Social security funds	<i>bill. CZK</i>	0.2	0.5	2.8	17.2	10.8	-6.5
Local governments	<i>bill. CZK</i>	-7.8	7.3	-4.5	10.9	16.1	-24.7
CASH DEFICIT/SURPLUS	<i>bill. CZK</i>	-97.7	-105.5	-141.8	-45.9	-40.8	-249.1

¹⁾ incl. National Fund and ex-National Property Fund's transactions and net impact of elimination of transfers from/to reserve funds, in 2005-07 incl. Czech Consolidation Agency loss remuneration from state bonds

Table 1-8: Fiscal targeting balance structure – CZK bn

		2004	2005	2006	2007	2008	2009
State budget ¹⁾	<i>bill. CZK</i>	-35.5	-16.6	-98.1	-57.1	-75.8	-203.6
Extrabudgetary funds total	<i>bill. CZK</i>	-33.2	-48.9	-2.3	-11.1	10.5	3.6
Social security funds	<i>bill. CZK</i>	0.2	0.5	2.8	17.2	10.8	-6.5
Local governments	<i>bill. CZK</i>	-7.8	7.3	-4.5	10.9	16.1	-24.7
Fiscal targeting CASH DEFICIT/SURPLUS	<i>bill. CZK</i>	-76.2	-57.7	-102.0	-40.1	-38.5	-231.2

¹⁾ incl. National Fund and ex-National Property Fund's transactions and net impact of elimination of transfers from/to reserve funds, in 2005-07 incl. Czech Consolidation Agency loss remuneration from state bonds

Table 1-9: Consolidated general government – sources and use in CZK bn

		2004	2005	2006	2007	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash receipts from operating activities	<i>bill. CZK</i>	1 077.2	1 176.1	1 233.2	1 377.1	1 464.2	1 358.7
Taxes	<i>bill. CZK</i>	572.2	625.7	637.8	716.0	742.8	660.4
Social contributions	<i>bill. CZK</i>	416.7	445.6	473.3	522.0	548.2	509.7
Grants	<i>bill. CZK</i>	24.8	31.6	35.9	47.4	60.5	79.6
Other receipts	<i>bill. CZK</i>	63.6	73.2	86.2	91.7	112.8	109.0
Cash payments for operating activities	<i>bill. CZK</i>	1 101.1	1 212.5	1 290.2	1 346.0	1 424.5	1 516.7
Compensation of employees	<i>bill. CZK</i>	112.2	120.7	127.7	136.3	141.5	146.6
Purchases of goods and services	<i>bill. CZK</i>	118.1	114.1	125.6	124.8	133.4	148.1
Interest	<i>bill. CZK</i>	30.5	25.4	33.8	37.1	48.0	53.2
Subsidies	<i>bill. CZK</i>	237.9	234.8	253.8	266.0	272.6	301.9
Grants	<i>bill. CZK</i>	15.4	24.5	24.3	26.7	29.0	30.3
Social benefits	<i>bill. CZK</i>	478.9	502.8	543.6	587.6	618.0	663.7
Other payments	<i>bill. CZK</i>	108.2	190.3	181.4	167.5	181.9	172.9
Net cash inflow from operating activities	<i>bill. CZK</i>	-23.9	-36.5	-57.0	31.1	39.8	-158.0
CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS:							
Purchases of nonfinancial assets	<i>bill. CZK</i>	84.4	81.4	98.9	89.8	96.1	118.3
Fixed assets	<i>bill. CZK</i>	79.8	78.4	95.8	87.3	93.3	115.8
Strategic stocks	<i>bill. CZK</i>	0.0	0.0	0.0	0.0	0.0	0.0
Valuables	<i>bill. CZK</i>	0.0	0.0	0.1	0.0	0.1	0.1
Nonproduced assets	<i>bill. CZK</i>	4.7	2.9	3.0	2.4	2.8	2.5
Sales of nonfinancial assets	<i>bill. CZK</i>	10.6	12.4	14.0	12.8	15.5	27.2
Fixed assets	<i>bill. CZK</i>	6.9	7.9	8.8	7.3	9.6	9.5
Strategic stocks	<i>bill. CZK</i>	0.0	0.0	0.0	0.0	0.0	0.0
Valuables	<i>bill. CZK</i>	0.0	0.0	0.0	0.0	0.0	0.0
Nonproduced assets	<i>bill. CZK</i>	3.7	4.5	5.3	5.5	6.0	17.7
Net cash outflow: investments in nonfinancial assets	<i>bill. CZK</i>	73.8	69.0	84.9	77.0	80.6	91.1
Cash surplus / deficit	<i>bill. CZK</i>	-97.7	-105.5	-141.8	-45.9	-40.8	-249.1
CASH FLOWS FROM FINANCING ACTIVITIES:							
Net acquisition of financial assets other than cash	<i>bill. CZK</i>	-8.9	-101.5	-11.2	6.2	14.6	74.0
Domestic	<i>bill. CZK</i>	-0.7	0.9	-10.1	5.9	13.7	74.5
Foreign	<i>bill. CZK</i>	-8.2	-102.3	-1.0	0.3	0.9	-0.5
Monetary gold and SDRs	<i>bill. CZK</i>	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	<i>bill. CZK</i>	106.6	102.5	116.6	95.1	86.0	180.4
Domestic	<i>bill. CZK</i>	19.1	35.3	80.3	66.1	54.5	111.6
Foreign	<i>bill. CZK</i>	87.5	67.2	36.3	29.0	31.5	68.9
Net cash inflow from financing activities	<i>bill. CZK</i>	115.5	204.0	127.8	88.9	71.3	106.4
Net change in the stock of cash	<i>bill. CZK</i>	17.7	98.4	-14.1	43.0	30.5	-142.6

Table 1-10: Consolidated general government – government debt in CZK bn

		2004	2005	2006	2007	2008	2009
Consolidated general government debt	<i>bill. CZK</i>	659.4	762.1	877.7	973.1	1 070.8	1 254.0
State debt (consolidated)	<i>bill. CZK</i>	585.8	684.2	794.1	882.3	979.6	1 155.9
Extrabudgetary funds	<i>bill. CZK</i>	1.2	2.4	0.6	3.8	0.7	1.1
Social security funds	<i>bill. CZK</i>	0.2	0.2	0.2	0.0	0.1	0.0
Local governments	<i>bill. CZK</i>	77.8	82.2	88.9	90.8	94.7	100.0

Table 1-11: Consolidated general government – government debt in % GDP

		2004	2005	2006	2007	2008	2009
Consolidated general government debt	<i>in % GDP</i>	23.4	25.5	27.2	27.5	29.0	34.6
State debt (consolidated)	<i>in % GDP</i>	20.8	22.9	24.6	25.0	26.6	31.9
Extrabudgetary funds	<i>in % GDP</i>	0.0	0.1	0.0	0.1	0.0	0.0
Social security funds	<i>in % GDP</i>	0.0	0.0	0.0	0.0	0.0	0.0
Local governments	<i>in % GDP</i>	2.8	2.8	2.8	2.6	2.6	2.8

2 General government in the ESA 95 methodology

Data for government revenues and expenditures are consolidated at the appropriate level. The consolidation represents the exclusion of mutual flows of interest and of current and capital transfers within one subsector as well as among the individual subsectors of the general government.

Revenues

Table 2-12: General government revenue

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total revenue	<i>bn CZK</i>	802.3	833.9	911.4	974.4	1049.4	1187.7	1235.7	1325.2	1479.3	1483.8	1460.0
	<i>prev. year=100</i>	105.3	103.9	109.3	106.9	107.7	113.2	104.0	107.2	111.6	100.3	98.4
Current taxes on income, wealth, etc.	<i>bn CZK</i>	176.1	181.4	206.8	223.8	247.4	269.8	273.4	295.2	333.9	293.9	270.9
	<i>prev. year=100</i>	106.3	103.1	114.0	108.3	110.5	109.1	101.3	108.0	113.1	88.0	92.2
Social contributions ¹⁾	<i>bn CZK</i>	292.7	312.0	335.0	367.4	388.9	452.8	482.1	524.8	576.7	599.2	559.7
	<i>prev. year=100</i>	103.9	106.6	107.4	109.7	105.8	116.4	106.5	108.8	109.9	103.9	93.4
Taxes on production and imports ²⁾	<i>bn CZK</i>	240.3	247.9	258.0	266.7	285.4	325.3	342.3	352.4	394.4	405.6	413.9
	<i>prev. year=100</i>	109.8	103.2	104.1	103.4	107.0	114.0	105.2	102.9	111.9	102.9	102.0
Capital taxes ³⁾	<i>bn CZK</i>	0.5	0.6	0.7	0.7	0.9	0.6	0.7	0.8	0.5	0.3	0.3
	<i>prev. year=100</i>	96.7	109.7	117.0	108.9	115.6	71.9	118.5	109.2	57.6	55.2	102.7
Property income	<i>bn CZK</i>	12.8	18.3	26.2	29.8	24.5	23.2	21.2	25.6	27.2	30.4	31.0
	<i>prev. year=100</i>	81.2	143.4	142.8	113.9	82.3	94.5	91.6	120.5	106.6	111.7	101.9
Interest	<i>bn CZK</i>	9.9	15.0	15.4	22.0	17.2	14.2	12.6	12.6	14.7	11.1	8.7
	<i>prev. year=100</i>	76.1	151.0	102.5	143.1	78.1	82.5	88.5	100.0	116.8	75.6	78.8
Other property income	<i>bn CZK</i>	2.8	3.3	10.8	7.8	7.3	9.0	8.7	13.0	12.6	19.4	22.3
	<i>prev. year=100</i>	106.6	116.7	325.2	72.4	93.9	122.7	96.4	150.2	96.7	153.9	115.1
Sales ⁴⁾	<i>bn CZK</i>	56.4	58.3	63.0	66.4	75.4	77.8	79.9	81.9	95.3	102.8	105.0
	<i>prev. year=100</i>	96.9	103.5	108.0	105.5	113.4	103.3	102.6	102.5	116.4	107.8	102.2
Other current transfers and subsidies	<i>bn CZK</i>	22.1	12.4	15.8	16.5	21.3	28.3	26.0	25.3	23.3	21.5	28.0
	<i>prev. year=100</i>	113.5	56.2	126.8	104.2	129.7	132.5	92.0	97.1	92.2	92.4	130.0
Investment grants	<i>bn CZK</i>	0.0	0.1	0.5	0.9	2.8	3.1	4.7	13.9	14.6	27.2	50.3
	<i>prev. year=100</i>	145.5	225.0	754.2	171.8	301.5	110.1	151.6	296.6	105.0	186.1	184.9
Other capital transfers	<i>bn CZK</i>	1.4	2.9	5.5	2.1	2.8	6.8	5.3	5.4	13.4	2.9	1.0
	<i>prev. year=100</i>	92.5	206.2	186.2	37.8	134.8	243.3	78.2	102.3	247.1	22.0	33.3

¹⁾ Compulsory and voluntary payments of employers (on behalf of employees), employees, self-employed and non-employed persons to social security funds and insurance enterprises. From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

²⁾ Compulsory, unrequited payments, in cash or in kind, which are levied by general government, in respect of the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production (for example VAT, excises etc.).

³⁾ Taxes levied at irregular and very infrequent intervals on the values of the assets or net worth owned by institutional units or on the values of assets transferred between institutional units as a result of legacies, gifts or other transfers.

⁴⁾ Consists of market output, output produced for own final use and payments for other non-market output.

Table 2-13: General government revenue – ratios to GDP

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total revenue (in % GDP)	38.6	38.1	38.7	39.5	40.7	42.2	41.4	41.1	41.8	40.2	40.3
Current taxes on income, wealth, etc. (in % GDP)	8.5	8.3	8.8	9.1	9.6	9.6	9.2	9.2	9.4	8.0	7.5
Social contributions (in % GDP)	14.1	14.2	14.2	14.9	15.1	16.1	16.2	16.3	16.3	16.2	15.4
Taxes on production and imports (in % GDP)	11.5	11.3	11.0	10.8	11.1	11.6	11.5	10.9	11.2	11.0	11.4
Capital taxes (in % GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property income (in % GDP)	0.6	0.8	1.1	1.2	1.0	0.8	0.7	0.8	0.8	0.8	0.9
Interest (in % GDP)	0.5	0.7	0.7	0.9	0.7	0.5	0.4	0.4	0.4	0.3	0.2
Other property income (in % GDP)	0.1	0.2	0.5	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.6
Sales (in % GDP)	2.7	2.7	2.7	2.7	2.9	2.8	2.7	2.5	2.7	2.8	2.9
Other current transfers and subsidies (in % GDP)	1.1	0.6	0.7	0.7	0.8	1.0	0.9	0.8	0.7	0.6	0.8
Investment grants (in % GDP)	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.4	0.4	0.7	1.4
Other capital transfers (in % GDP)	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.4	0.1	0.0

Table 2-14: General government tax revenue and social contributions

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Taxes and social contributions bn CZK	709.6	741.8	800.5	858.7	922.6	1048.6	1098.6	1173.2	1305.4	1298.9
prev. year=100	106.4	104.6	107.9	107.3	107.4	113.7	104.8	106.8	111.3	99.5
Current taxes on income, wealth, etc. bn CZK	176.1	181.4	206.8	223.8	247.4	269.8	273.4	295.2	333.9	293.9
prev. year=100	106.3	103.1	114.0	108.3	110.5	109.1	101.3	108.0	113.1	88.0
Tax on individual or household income incl. holding gains bn CZK	93.0	99.7	106.2	114.9	125.5	135.0	136.4	136.6	153.4	136.5
prev. year=100	98.9	107.2	106.5	108.2	109.3	107.6	101.0	100.2	112.3	89.0
Taxes on the income or profits of corporations incl. holding gains bn CZK	79.5	76.2	96.3	105.7	117.8	131.7	133.5	154.8	176.5	153.3
prev. year=100	117.8	95.9	126.4	109.8	111.4	111.9	101.3	116.0	114.0	86.8
Lewy on lottery revenue bn CZK	-	-	-	-	0.5	0.6	0.6	0.7	0.8	0.9
prev. year=100	X	X	X	X	X	117.4	112.5	110.3	113.1	111.5
Other current taxes bn CZK	3.6	5.6	4.3	3.2	3.6	2.5	2.9	3.1	3.2	3.2
prev. year=100	87.0	153.6	77.6	74.0	112.8	69.1	117.4	105.0	104.8	100.2
Social contributions bn CZK	292.7	312.0	335.0	367.4	388.9	452.8	482.1	524.8	576.7	599.2
prev. year=100	103.9	106.6	107.4	109.7	105.8	116.4	106.5	108.8	109.9	103.9
Actual social contributions ¹⁾ bn CZK	292.5	311.5	334.8	367.2	388.6	452.4	481.7	524.4	576.4	598.9
prev. year=100	103.9	106.5	107.5	109.7	105.8	116.4	106.5	108.9	109.9	103.9
Employers' actual social contributions bn CZK	204.6	216.9	233.2	255.9	270.7	289.8	308.7	332.4	363.8	380.1
prev. year=100	103.8	106.0	107.5	109.7	105.8	107.0	106.5	107.7	109.4	104.5
Employees' social contributions bn CZK	73.0	77.3	82.7	89.6	94.9	101.3	108.3	116.6	127.7	133.2
prev. year=100	104.0	105.9	107.0	108.4	105.9	106.8	106.9	107.6	109.5	104.4
Social contributions by self- and non-employed persons ¹⁾ bn CZK	14.9	17.3	18.9	21.7	23.0	61.3	64.8	75.4	85.0	85.5
prev. year=100	104.3	115.9	109.1	114.9	106.1	266.0	105.6	116.5	112.6	100.7
Imputed social contributions bn CZK	0.2	0.4	0.2	0.3	0.3	0.4	0.4	0.4	0.3	0.3
prev. year=100	124.7	209.4	57.9	102.4	117.5	136.6	98.5	102.0	73.8	95.3
Taxes on production and imports bn CZK	240.3	247.9	258.0	266.7	285.4	325.3	342.3	352.4	394.4	405.6
prev. year=100	109.8	103.2	104.1	103.4	107.0	114.0	105.2	102.9	111.9	102.9
Taxes on products ²⁾ bn CZK	227.0	234.2	244.9	253.6	271.7	313.1	330.4	338.9	380.2	391.6
prev. year=100	109.8	103.1	104.6	103.5	107.2	115.2	105.5	102.6	112.2	103.0
VAT bn CZK	136.5	141.3	149.3	155.1	164.3	202.1	210.6	208.8	226.8	254.8
prev. year=100	112.8	103.5	105.6	103.9	105.9	123.0	104.2	99.2	108.6	112.3
Excises bn CZK	71.4	71.4	76.8	79.5	87.5	99.2	110.5	120.9	142.5	126.1
prev. year=100	110.9	100.0	107.6	103.6	110.0	113.4	111.4	109.4	117.9	88.5
Other taxes on products ³⁾ bn CZK	19.2	21.5	18.9	18.9	20.0	11.8	9.2	9.2	10.9	10.7
prev. year=100	89.8	111.9	88.0	100.2	105.8	59.1	78.2	99.7	118.1	98.6
Other taxes on production ⁴⁾ bn CZK	13.2	13.7	13.1	13.1	13.7	12.3	12.0	13.5	14.2	14.0
prev. year=100	109.1	103.8	95.1	100.6	104.2	89.6	97.7	112.8	105.2	98.9
Capital taxes bn CZK	0.5	0.6	0.7	0.7	0.9	0.6	0.7	0.8	0.5	0.3
prev. year=100	96.7	109.7	117.0	108.9	115.6	71.9	118.5	109.2	57.6	55.2

Extraordinary appendix: Tables of fiscal development in 2004 - 2009

¹⁾ From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

²⁾ Taxes that are payable per unit of some good or service produced or transacted.

³⁾ This item contains, for example, customs duty, taxes from financial and capital transactions, payments from entertainment, lottery taxes and other.

⁴⁾ All taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold. (real estate tax, road tax, etc.)

Table 2-15: General government tax revenue and social contributions – ratios to GDP

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Taxes and social contributions	<i>in % GDP</i>	34.1	33.9	34.0	34.8	35.8	37.3	36.8	36.4	36.9	35.2	34.3
Current taxes on income, wealth, etc.	<i>in % GDP</i>	8.5	8.3	8.8	9.1	9.6	9.6	9.2	9.2	9.4	8.0	7.5
Tax on individual or household income incl. holding gains	<i>in % GDP</i>	4.5	4.6	4.5	4.7	4.9	4.8	4.6	4.2	4.3	3.7	3.7
Taxes on the income or profits of corporations incl. holding gains	<i>in % GDP</i>	3.8	3.5	4.1	4.3	4.6	4.7	4.5	4.8	5.0	4.2	3.6
Levy on lottery revenue	<i>in % GDP</i>	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current taxes	<i>in % GDP</i>	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Social contributions	<i>in % GDP</i>	14.1	14.2	14.2	14.9	15.1	16.1	16.2	16.3	16.3	16.2	15.4
Actual social contributions	<i>in % GDP</i>	14.1	14.2	14.2	14.9	15.1	16.1	16.1	16.3	16.3	16.2	15.4
Employers' actual social contributions	<i>in % GDP</i>	9.8	9.9	9.9	10.4	10.5	10.3	10.3	10.3	10.3	10.3	9.7
Employees' social contributions	<i>in % GDP</i>	3.5	3.5	3.5	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.1
Social contributions by self- and non-employed persons	<i>in % GDP</i>	0.7	0.8	0.8	0.9	0.9	2.2	2.2	2.3	2.4	2.3	2.7
Imputed social contributions	<i>in % GDP</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on production and imports	<i>in % GDP</i>	11.5	11.3	11.0	10.8	11.1	11.6	11.5	10.9	11.2	11.0	11.4
Taxes on products	<i>in % GDP</i>	10.9	10.7	10.4	10.3	10.5	11.1	11.1	10.5	10.8	10.6	11.0
VAT	<i>in % GDP</i>	6.6	6.5	6.3	6.3	6.4	7.2	7.1	6.5	6.4	6.9	7.0
Excise taxes	<i>in % GDP</i>	3.4	3.3	3.3	3.2	3.4	3.5	3.7	3.8	4.0	3.4	3.8
Other taxes on products	<i>in % GDP</i>	0.9	1.0	0.8	0.8	0.8	0.4	0.3	0.3	0.3	0.3	0.2
Other taxes on production	<i>in % GDP</i>	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Capital taxes	<i>in % GDP</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 2-16: Central government revenue

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total revenue	<i>bn CZK</i>	581.7	605.3	675.1	702.2	750.0	832.3	842.1	898.5	1006.0	1002.6	968.5
	<i>prev. year=100</i>	106.3	104.1	111.5	104.0	106.8	111.0	101.2	106.7	112.0	99.7	96.6
Current taxes on income, wealth, etc.	<i>bn CZK</i>	93.8	98.5	154.1	160.1	176.9	193.2	181.7	197.1	223.8	194.8	178.5
	<i>prev. year=100</i>	102.8	105.0	156.4	103.9	110.5	109.2	94.1	108.5	113.5	87.0	91.7
Social contributions¹⁾	<i>bn CZK</i>	208.9	221.8	241.1	262.9	277.2	300.1	318.7	342.6	376.3	392.4	351.7
	<i>prev. year=100</i>	103.7	106.2	108.7	109.0	105.5	108.3	106.2	107.5	109.8	104.3	89.6
Taxes on production and imports	<i>bn CZK</i>	234.9	242.0	221.5	224.2	240.3	270.4	272.3	282.6	318.9	319.7	327.9
	<i>prev. year=100</i>	110.0	103.0	91.5	101.2	107.2	112.5	100.7	103.8	112.8	100.2	102.6
Capital taxes	<i>bn CZK</i>	0.5	0.6	0.7	0.7	0.9	0.6	0.7	0.8	0.5	0.3	0.3
	<i>prev. year=100</i>	96.9	109.7	117.0	108.9	115.0	71.3	118.8	110.0	57.4	54.3	100.8
Property income	<i>bn CZK</i>	7.9	13.5	22.0	22.6	17.4	15.0	14.5	18.4	19.5	21.6	23.5
	<i>prev. year=100</i>	73.2	171.3	163.0	102.9	77.2	86.1	96.4	126.8	106.4	110.6	108.6
Sales	<i>bn CZK</i>	17.6	18.1	21.2	22.2	25.7	27.6	28.3	29.4	37.1	39.3	38.7
	<i>prev. year=100</i>	121.1	102.8	117.2	104.6	115.5	107.5	102.8	103.8	126.1	105.9	98.6
Other revenue	<i>bn CZK</i>	18.1	10.9	14.6	9.5	11.6	25.4	25.9	27.6	30.0	34.7	48.0
	<i>prev. year=100</i>	120.2	60.1	134.2	65.2	122.0	218.9	101.9	106.4	108.7	115.7	138.4

Extraordinary appendix: Tables of fiscal development in 2004 - 2009

¹⁾ From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

Table 2-17: Local government revenue

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total revenue	<i>bn CZK</i>	192.1	200.1	228.3	260.0	328.7	349.3	351.6	375.5	410.5	411.0	422.9
	<i>prev. year=100</i>	94.6	104.2	114.1	113.9	126.4	106.3	100.6	106.8	109.3	100.1	102.9
Current taxes on income, wealth, etc.	<i>bn CZK</i>	82.2	82.9	52.7	63.8	70.5	76.6	91.7	98.1	110.1	99.1	92.4
	<i>prev. year=100</i>	110.6	100.9	63.5	121.1	110.5	108.8	119.6	107.0	112.3	90.0	93.2
Social contributions	<i>bn CZK</i>	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.3
	<i>prev. year=100</i>	100.0	62.7	190.5	60.0	104.2	120.0	121.7	161.6	56.8	20.9	2371.4
Taxes on production and imports	<i>bn CZK</i>	5.3	5.9	36.5	42.5	45.1	55.0	70.0	69.8	75.5	86.0	86.0
	<i>prev. year=100</i>	100.0	110.1	620.0	116.3	106.2	121.8	127.4	99.6	108.2	113.9	100.1
Capital taxes	<i>bn CZK</i>	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<i>prev. year=100</i>	0.0	X	X	X	X	180.0	100.0	44.4	100.0	150.0	183.3
Property income	<i>bn CZK</i>	4.7	4.5	3.7	6.9	6.8	8.0	6.5	7.0	7.1	7.5	6.6
	<i>prev. year=100</i>	102.8	95.9	82.0	187.2	99.7	116.6	82.2	107.2	101.4	105.7	87.8
Sales	<i>bn CZK</i>	38.7	40.1	41.3	44.1	49.6	50.1	51.4	52.3	58.1	63.4	66.2
	<i>prev. year=100</i>	88.9	103.8	103.0	106.6	112.5	101.0	102.6	101.8	111.1	109.1	104.5
Other revenue	<i>bn CZK</i>	61.1	66.7	94.0	102.8	156.6	159.6	131.9	148.2	159.7	155.1	171.4
	<i>prev. year=100</i>	81.2	109.1	141.0	109.4	152.3	101.9	82.6	112.4	107.7	97.1	110.5

Table 2-18: Social security funds revenue

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total revenue	<i>bn CZK</i>	112.5	119.4	127.4	138.4	149.1	159.1	169.6	184.8	203.5	210.8	211.1
	<i>prev. year=100</i>	107.3	106.1	106.7	108.6	107.8	106.7	106.6	109.0	110.1	103.6	100.2
Current taxes on income, wealth, etc.	<i>bn CZK</i>	-	-	-	-	-	-	-	-	-	-	-
	<i>prev. year=100</i>	X	X	X	X	X	X	X	X	X	X	X
Social contributions ¹⁾	<i>bn CZK</i>	83.8	90.1	93.9	104.5	111.7	152.6	163.4	182.1	200.3	206.8	207.6
	<i>prev. year=100</i>	104.5	107.6	104.2	111.3	106.8	136.7	107.1	111.4	110.0	103.2	100.4
Taxes on production and imports	<i>bn CZK</i>	-	-	-	-	-	-	-	-	-	-	-
	<i>prev. year=100</i>	X	X	X	X	X	X	X	X	X	X	X
Capital taxes	<i>bn CZK</i>	-	-	-	-	-	-	-	-	-	-	-
	<i>prev. year=100</i>	X	X	X	X	X	X	X	X	X	X	X
Property income	<i>bn CZK</i>	0.3	0.4	0.6	0.4	0.3	0.3	0.3	0.3	0.7	1.4	1.0
	<i>prev. year=100</i>	54.9	147.9	128.2	74.9	73.7	95.1	106.5	94.5	225.3	210.8	73.3
Sales	<i>bn CZK</i>	0.1	0.1	0.4	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1
	<i>prev. year=100</i>	58.9	100.0	609.1	34.8	75.7	145.3	103.2	95.0	92.1	85.6	95.0
Other revenue	<i>bn CZK</i>	28.4	28.7	32.5	33.3	37.1	6.0	5.8	2.3	2.4	2.5	2.4
	<i>prev. year=100</i>	117.9	101.2	113.2	102.3	111.3	16.2	95.9	40.2	103.2	103.5	95.9

¹⁾ From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

Expenditures

Table 2-19: General government expenditure

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total expenditure	<i>bn CZK</i>	879.6	915.4	1043.3	1141.2	1219.5	1270.5	1342.3	1409.6	1502.4	1582.3	1673.7
	<i>prev. year=100</i>	102.1	104.1	114.0	109.4	106.9	104.2	105.7	105.0	106.6	105.3	105.8
Final consumption expenditure	<i>bn CZK</i>	440.6	460.9	496.7	549.5	603.2	621.6	658.5	687.0	717.0	752.8	800.5
	<i>prev. year=100</i>	110.2	104.6	107.8	110.6	109.8	103.1	105.9	104.3	104.4	105.0	106.3
Collective consumption ¹⁾	<i>bn CZK</i>	217.3	232.1	241.7	271.2	305.6	296.5	329.7	342.2	353.8	373.2	394.3
	<i>prev. year=100</i>	116.0	106.8	104.2	112.2	112.7	97.0	111.2	103.8	103.4	105.5	105.7
Individual consumption	<i>bn CZK</i>	223.3	228.9	254.9	278.3	297.6	325.1	328.8	344.8	363.2	379.6	406.2
	<i>prev. year=100</i>	105.2	102.5	111.4	109.2	106.9	109.2	101.1	104.9	105.3	104.5	107.0
Social transfers in kind ²⁾	<i>bn CZK</i>	111.1	115.4	127.5	142.1	150.2	160.7	167.4	173.5	187.1	198.6	218.9
	<i>prev. year=100</i>	106.0	103.9	110.4	111.5	105.7	107.0	104.2	103.7	107.8	106.1	110.2
Transfers of individual non-market goods or services ³⁾	<i>bn CZK</i>	112.2	113.5	127.5	136.2	147.3	164.3	161.4	171.3	176.1	181.0	187.2
	<i>prev. year=100</i>	104.3	101.1	112.3	106.9	108.2	111.5	98.2	106.2	102.8	102.8	103.4
Social benefits other than social transfers in kind ⁴⁾	<i>bn CZK</i>	243.8	263.9	280.5	305.1	315.6	361.9	376.4	405.1	453.7	471.2	501.3
	<i>prev. year=100</i>	108.0	108.3	106.3	108.8	103.4	114.7	104.0	107.6	112.0	103.8	106.4
Interest	<i>bn CZK</i>	21.2	18.4	23.8	30.5	29.3	32.6	34.4	35.5	39.8	39.5	47.5
	<i>prev. year=100</i>	91.6	86.7	129.5	128.2	95.9	111.2	105.6	103.3	112.2	99.0	120.3
Subsidies	<i>bn CZK</i>	61.1	61.0	65.4	56.6	68.2	59.0	54.7	61.4	62.5	63.7	76.2
	<i>prev. year=100</i>	105.5	99.8	107.3	86.5	120.6	86.5	92.8	112.2	101.8	102.0	119.6
Gross fixed capital formation	<i>bn CZK</i>	67.7	79.1	83.4	95.2	117.2	136.4	146.5	161.5	165.9	182.5	195.3
	<i>prev. year=100</i>	80.8	116.9	105.4	114.2	123.1	116.4	107.4	110.2	102.7	110.0	107.0
Other expenditures	<i>bn CZK</i>	45.2	32.1	93.5	104.3	86.0	59.0	71.8	59.2	63.4	72.6	53.0
	<i>prev. year=100</i>	63.2	71.0	291.1	111.5	82.4	68.6	121.7	82.4	107.3	114.5	72.9

¹⁾ Value of all services provided to all members of society or to specific groups, i.e. expenditure for public services, defence, security, justice, health protection, environmental protection, research and development, infrastructure development.

²⁾ Social benefits in kind are social transfers in kind intended to relieve households of financial burden of social risks or needs, i.e. payments from insurance enterprises to health care institutions for services provided to households.

³⁾ Goods or services provided to individual households free or at prices which are not economically significant by non-market producers (education, health service, housing, culture, sport, etc.).

⁴⁾ From 2004 onwards including transfers (social contributions) paid by state for so-called state social insurance policy holders.

Table 2-20: General government expenditure – ratios to GDP

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total expenditure	<i>(in % GDP)</i>	42.3	41.8	44.4	46.3	47.3	45.1	45.0	43.7	42.5	42.9	46.1
Final consumption expenditure	<i>(in % GDP)</i>	21.2	21.1	21.1	22.3	23.4	22.1	22.1	21.3	20.3	20.4	22.1
Collective consumption	<i>(in % GDP)</i>	10.4	10.6	10.3	11.0	11.9	10.5	11.0	10.6	10.0	10.1	10.9
Individual consumption	<i>(in % GDP)</i>	10.7	10.5	10.8	11.3	11.5	11.5	11.0	10.7	10.3	10.3	11.2
Social transfers in kind	<i>(in % GDP)</i>	5.3	5.3	5.4	5.8	5.8	5.7	5.6	5.4	5.3	5.4	6.0
Transfers of individual non-market goods or services	<i>(in % GDP)</i>	5.4	5.2	5.4	5.5	5.7	5.8	5.4	5.3	5.0	4.9	5.2
Social benefits other than social transfers in kind	<i>(in % GDP)</i>	11.7	12.1	11.9	12.4	12.2	12.9	12.6	12.6	12.8	12.8	13.8
Interest	<i>(in % GDP)</i>	1.0	0.8	1.0	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.3
Subsidies	<i>(in % GDP)</i>	2.9	2.8	2.8	2.3	2.6	2.1	1.8	1.9	1.8	1.7	2.1
Gross fixed capital formation	<i>(in % GDP)</i>	3.3	3.6	3.5	3.9	4.5	4.8	4.9	5.0	4.7	4.9	5.4
Other expenditures	<i>(in % GDP)</i>	2.2	1.5	4.0	4.2	3.3	2.1	2.4	1.8	1.8	2.0	1.5

Table 2-21: General government expenditure

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total expenditure	bn CZK	879.6	915.4	1043.3	1141.2	1219.5	1270.5	1342.3	1409.6	1502.4	1582.3	1673.7
	prev. year=100	102.1	104.1	114.0	109.4	106.9	104.2	105.7	105.0	106.6	105.3	105.8
Compensation of employees	bn CZK	151.4	154.7	172.9	191.6	214.2	222.1	237.9	252.4	268.6	279.6	293.3
	prev. year=100	112.1	102.2	111.8	110.8	111.8	103.7	107.1	106.1	106.4	104.1	104.9
Intermediate consumption	bn CZK	132.7	144.0	152.9	173.6	196.0	193.5	205.9	211.7	217.5	229.2	238.2
	prev. year=100	115.3	108.5	106.2	113.5	112.9	98.7	106.4	102.8	102.8	105.3	103.9
Social benefits other than social transfers in kind ¹⁾	bn CZK	243.8	263.9	280.5	305.1	315.6	361.9	376.4	405.1	453.7	471.2	501.3
	prev. year=100	108.0	108.3	106.3	108.8	103.4	114.7	104.0	107.6	112.0	103.8	106.4
Social benefits in kind	bn CZK	111.1	115.4	127.5	142.1	150.2	160.7	167.4	173.5	187.1	198.6	218.9
	prev. year=100	106.0	103.9	110.4	111.5	105.7	107.0	104.2	103.7	107.8	106.1	110.2
Property income	bn CZK	21.2	18.4	23.9	30.6	29.3	32.6	34.4	35.6	39.9	39.6	47.6
	prev. year=100	91.6	86.8	129.3	128.2	95.9	111.2	105.6	103.3	112.2	99.1	120.4
Interest	bn CZK	21.2	18.4	23.8	30.5	29.3	32.6	34.4	35.5	39.8	39.5	47.5
	prev. year=100	91.6	86.7	129.5	128.2	95.9	111.2	105.6	103.3	112.2	99.0	120.3
Other property income	bn CZK	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
	prev. year=100	118.2	200.0	80.8	150.0	74.6	112.8	96.2	141.2	109.7	126.6	147.0
Subsidies	bn CZK	61.1	61.0	65.4	56.6	68.2	59.0	54.7	61.4	62.5	63.7	76.2
	prev. year=100	105.5	99.8	107.3	86.5	120.6	86.5	92.8	112.2	101.8	102.0	119.6
Gross fixed capital formation	bn CZK	67.7	79.1	83.4	95.2	117.2	136.4	146.5	161.5	165.9	182.5	195.3
	prev. year=100	80.8	116.9	105.4	114.2	123.1	116.4	107.4	110.2	102.7	110.0	107.0
Capital transfers ²⁾	bn CZK	77.7	57.6	124.3	120.2	98.4	72.4	76.4	59.2	59.4	92.9	87.6
	prev. year=100	83.7	74.2	215.7	96.7	81.8	73.7	105.5	77.4	100.3	156.5	94.3
Investment grants ³⁾	bn CZK	22.4	25.9	27.5	36.9	35.2	35.2	33.9	36.7	35.3	34.8	32.5
	prev. year=100	117.8	115.6	105.8	134.5	95.2	100.1	96.3	108.4	96.1	98.5	93.6
Other capital transfers	bn CZK	55.2	31.7	96.8	83.3	63.2	37.2	42.5	22.5	24.1	58.2	55.1
	prev. year=100	74.8	57.4	305.7	86.0	75.9	58.9	114.3	52.8	107.2	241.6	94.8
Other expenditure	bn CZK	13.0	21.3	12.5	26.3	30.3	31.8	42.5	49.3	47.8	25.0	15.2
	prev. year=100	55.1	164.3	58.9	209.5	115.4	104.8	133.8	116.1	97.0	52.3	60.8

¹⁾ Transfers to households, in cash or in kind, intended to relieve them of financial burdens from a number of risks or needs (for example, sickness, disability, old age, unemployment, family, etc.). From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

²⁾ Transactions of capital distribution, both in cash and in kind, which have no influence either on beneficiary's ordinary income or these transaction's payer but on amount of their net property.

³⁾ Capital transfers in cash or in kind made by governments to other institutional units to finance all or part of the costs of their acquiring fixed assets.

Table 2-22: General government expenditure – ratios to GDP

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total expenditure	(in % GDP)	42.3	41.8	44.4	46.3	47.3	45.1	45.0	43.7	42.5	42.9	46.1
Compensation of employees	(in % GDP)	7.3	7.1	7.4	7.8	8.3	7.9	8.0	7.8	7.6	7.6	8.1
Intermediate consumption	(in % GDP)	6.4	6.6	6.5	7.0	7.6	6.9	6.9	6.6	6.2	6.2	6.6
Social benefits other than social transfers in kind	(in % GDP)	11.7	12.1	11.9	12.4	12.2	12.9	12.6	12.6	12.8	12.8	13.8
Social benefits in kind	(in % GDP)	5.3	5.3	5.4	5.8	5.8	5.7	5.6	5.4	5.3	5.4	6.0
Property income	(in % GDP)	1.0	0.8	1.0	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.3
Interest	(in % GDP)	1.0	0.8	1.0	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.3
Other property income	(in % GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	(in % GDP)	2.9	2.8	2.8	2.3	2.6	2.1	1.8	1.9	1.8	1.7	2.1
Gross fixed capital formation	(in % GDP)	3.3	3.6	3.5	3.9	4.5	4.8	4.9	5.0	4.7	4.9	5.4
Capital transfers	(in % GDP)	3.7	2.6	5.3	4.9	3.8	2.6	2.6	1.8	1.7	2.5	2.4
Investment grants	(in % GDP)	1.1	1.2	1.2	1.5	1.4	1.3	1.1	1.1	1.0	0.9	0.9
Other capital transfers	(in % GDP)	2.7	1.4	4.1	3.4	2.5	1.3	1.4	0.7	0.7	1.6	1.5
Other expenditure	(in % GDP)	0.6	1.0	0.5	1.1	1.2	1.1	1.4	1.5	1.4	0.7	0.4

Table 2-23: Central government expenditure

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total expenditure	bn CZK	660.5	681.5	796.6	853.1	904.3	907.7	946.9	982.1	1062.1	1102.0	1147.7
	prev. year=100	101.2	103.2	116.9	107.1	106.0	100.4	104.3	103.7	108.1	103.8	104.1
Compensation of employees	bn CZK	106.0	107.2	106.4	117.0	108.8	110.8	120.9	128.2	136.8	142.6	149.5
	prev. year=100	111.8	101.1	99.3	109.9	93.0	101.9	109.1	106.1	106.7	104.2	104.8
Intermediate consumption	bn CZK	65.3	74.8	74.2	86.7	96.9	93.5	104.4	100.9	106.7	108.3	111.9
	prev. year=100	121.3	114.4	99.3	116.8	111.8	96.5	111.7	96.6	105.7	101.5	103.3
Social benefits other than social transfers in kind ¹⁾	bn CZK	236.2	254.6	271.5	294.9	303.8	350.0	364.7	393.1	435.3	450.6	479.7
	prev. year=100	107.1	107.8	106.6	108.6	103.0	115.2	104.2	107.8	110.7	103.5	106.5
Social benefits in kind	bn CZK	1.8	1.9	3.1	3.3	2.2	1.9	0.9	3.2	2.4	2.0	2.7
	prev. year=100	110.0	105.3	164.8	107.1	67.2	84.0	50.5	336.5	76.1	81.8	136.6
Interest	bn CZK	18.6	16.7	21.9	28.5	26.9	29.6	32.3	33.2	37.2	36.4	45.1
	prev. year=100	90.9	89.7	131.3	130.5	94.4	109.9	109.0	102.9	112.1	97.8	123.9
Subsidies	bn CZK	45.6	43.7	48.8	38.3	38.9	32.7	25.4	30.2	31.3	31.2	38.1
	prev. year=100	103.7	95.9	111.5	78.6	101.5	84.0	77.7	118.9	103.7	99.6	122.3
Gross fixed capital formation	bn CZK	31.7	36.8	34.5	33.7	46.9	62.0	76.9	80.6	86.9	96.3	97.7
	prev. year=100	120.2	116.4	93.7	97.6	139.1	132.2	124.1	104.9	107.7	110.9	101.5
Capital transfers	bn CZK	79.7	64.8	130.0	129.3	109.0	86.5	86.7	68.0	68.2	97.5	89.9
	prev. year=100	66.7	81.4	200.7	99.5	84.3	79.3	100.2	78.4	100.3	143.0	92.2
Other expenditure	bn CZK	75.7	81.0	106.2	121.4	170.8	140.7	134.7	144.6	157.2	137.1	133.0
	prev. year=100	105.3	107.1	131.0	114.3	140.7	82.4	95.7	107.3	108.7	87.2	97.0

¹⁾ From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

Table 2-24: Local government expenditure

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total expenditure	<i>bn CZK</i>	191.2	209.3	238.4	271.7	342.8	354.0	353.1	388.1	393.7	420.2	446.8
	<i>prev. year=100</i>	97.4	109.5	113.9	114.0	126.1	103.3	99.8	109.9	101.4	106.7	106.3
Compensation of employees	<i>bn CZK</i>	43.4	45.5	64.2	72.1	102.8	108.6	114.2	121.1	128.5	133.4	140.0
	<i>prev. year=100</i>	113.0	104.7	141.3	112.2	142.6	105.7	105.1	106.1	106.1	103.8	104.9
Intermediate consumption	<i>bn CZK</i>	66.2	68.1	77.3	85.5	97.3	98.1	99.5	109.1	108.9	118.5	123.5
	<i>prev. year=100</i>	110.4	102.9	113.5	110.6	113.9	100.8	101.4	109.7	99.8	108.8	104.2
Social benefits other than social transfers in kind	<i>bn CZK</i>	7.5	9.3	9.0	10.2	11.8	11.9	11.7	12.0	18.4	20.6	21.6
	<i>prev. year=100</i>	146.9	124.2	96.6	113.4	115.6	100.6	98.6	102.5	153.6	111.9	104.9
Social benefits in kind	<i>bn CZK</i>	1.8	2.0	1.2	1.4	2.4	2.5	2.6	2.8	3.3	3.0	3.0
	<i>prev. year=100</i>	114.3	109.1	61.1	115.6	169.9	104.5	102.4	108.9	119.0	88.7	100.2
Interest	<i>bn CZK</i>	2.6	1.7	1.9	2.0	2.4	3.0	2.2	2.4	2.7	3.1	2.4
	<i>prev. year=100</i>	99.4	67.6	110.3	104.5	118.9	126.8	72.9	108.1	111.2	117.6	77.1
Subsidies	<i>bn CZK</i>	15.5	17.2	16.6	18.2	29.3	26.3	29.3	31.2	31.2	32.5	38.1
	<i>prev. year=100</i>	111.4	111.3	96.6	109.6	160.7	89.8	111.6	106.3	99.9	104.4	117.1
Gross fixed capital formation	<i>bn CZK</i>	35.2	41.6	48.3	60.7	69.7	73.8	68.9	80.4	78.6	85.5	96.4
	<i>prev. year=100</i>	62.3	118.0	116.2	125.6	114.9	105.9	93.3	116.8	97.7	108.8	112.8
Capital transfers	<i>bn CZK</i>	14.9	13.3	14.2	11.9	16.4	20.3	13.6	15.0	14.2	13.2	9.9
	<i>prev. year=100</i>	176.0	89.4	106.7	83.4	138.2	123.7	67.1	109.9	94.9	92.7	75.4
Other expenditure	<i>bn CZK</i>	4.0	10.5	5.5	9.8	10.7	9.5	11.2	14.2	8.0	10.4	11.9
	<i>prev. year=100</i>	41.6	262.3	52.3	178.5	108.9	88.7	117.4	126.8	56.2	130.9	114.5

Table 2-25: Social security fund expenditure

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total expenditure	<i>bn CZK</i>	112.0	115.5	127.7	142.6	150.8	161.7	169.8	173.0	187.4	200.8	221.8
	<i>prev. year=100</i>	105.7	103.1	110.6	111.6	105.8	107.2	105.0	101.9	108.3	107.1	110.5
Compensation of employees	<i>bn CZK</i>	2.0	2.1	2.3	2.5	2.7	2.7	2.9	3.0	3.2	3.6	3.9
	<i>prev. year=100</i>	111.0	101.9	109.5	111.1	105.4	102.7	105.7	105.3	106.5	112.0	107.4
Intermediate consumption	<i>bn CZK</i>	1.2	1.1	1.4	1.5	1.9	1.9	2.0	1.6	1.9	2.3	2.7
	<i>prev. year=100</i>	92.9	94.8	127.3	105.3	123.4	102.1	105.9	81.4	116.0	122.2	116.5
Social benefits other than social transfers in kind	<i>bn CZK</i>	0.0	-	-	-	-	-	0.0	0.0	-	0.0	0.0
	<i>prev. year=100</i>	X	0.0	X	X	X	X	X	200.0	0.0	X	600.0
Social benefits in kind	<i>bn CZK</i>	107.5	111.5	123.2	137.4	145.6	156.3	163.9	167.5	181.4	193.7	213.3
	<i>prev. year=100</i>	105.8	103.8	110.4	111.6	106.0	107.4	104.8	102.2	108.3	106.8	110.1
Interest	<i>bn CZK</i>	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<i>prev. year=100</i>	42.2	23.1	77.8	50.0	85.7	100.0	16.7	300.0	66.7	50.0	100.0
Subsidies	<i>bn CZK</i>	-	-	-	-	-	-	-	-	-	-	-
	<i>prev. year=100</i>	X	X	X	X	X	X	X	X	X	X	X
Gross fixed capital formation	<i>bn CZK</i>	0.8	0.7	0.6	0.9	0.6	0.7	0.8	0.5	0.5	0.8	1.2
	<i>prev. year=100</i>	85.8	84.0	84.0	154.6	69.5	111.1	119.1	58.3	99.6	164.4	153.1
Capital transfers	<i>bn CZK</i>	0.1	0.0	-	0.0	0.0	0.1	-	-	-	-	-
	<i>prev. year=100</i>	X	6.6	0.0	X	81.4	174.3	0.0	X	X	X	X
Other expenditure	<i>bn CZK</i>	0.3	0.1	0.3	0.2	0.1	0.0	0.3	0.4	0.4	0.4	0.7
	<i>prev. year=100</i>	108.4	31.5	332.1	82.2	29.4	64.6	671.4	127.7	123.9	84.5	193.1

Balance

Table 2-26: General government net lending / net borrowing by subsectors

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government net lending (+)/net borrowing (-)		-77.3	-81.5	-131.8	-166.8	-170.6	-83.3	-106.7	-84.9	-23.9	-100.3	-215.0
Central government net lending (+) /net borrowing (-)	<i>bn CZK</i>	-78.7	-76.2	-121.4	-150.9	-154.8	-76.0	-105.0	-84.0	-56.8	-101.2	-180.4
Local government net lending (+) /net borrowing (-)	<i>bn CZK</i>	0.9	-9.2	-10.1	-11.7	-14.1	-4.6	-1.6	-12.7	16.8	-9.2	-23.9
Social security funds net lending (+) /net borrowing (-)	<i>bn CZK</i>	0.5	3.9	-0.3	-4.2	-1.7	-2.7	-0.2	11.8	16.1	10.0	-10.7

Table 2-27: General government net lending / net borrowing by subsectors – ratios to GDP

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government net lending (+)/net borrowing (-) (in % GDP)	-3.7	-3.7	-5.6	-6.8	-6.6	-3.0	-3.6	-2.6	-0.7	-2.7	-5.9
Central government net lending (+) /net borrowing (-) (in % GDP)	-3.8	-3.5	-5.2	-6.1	-6.0	-2.7	-3.5	-2.6	-1.6	-2.7	-5.0
Local government net lending (+) /net borrowing (-) (in % GDP)	0.0	-0.4	-0.4	-0.5	-0.5	-0.2	-0.1	-0.4	0.5	-0.2	-0.7
Social security funds net lending (+) /net borrowing (-) (in % GDP)	0.0	0.2	0.0	-0.2	-0.1	-0.1	0.0	0.4	0.5	0.3	-0.3

Debt

Table 2-28: General government debt by subsectors and instruments

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government debt by instruments bn CZK	340.5	405.4	584.7	695.0	768.3	847.8	885.4	948.3	1023.8	1104.9	1282.3
prev. year=100	113.6	119.1	144.2	118.9	110.5	110.4	104.4	107.1	108.0	107.9	116.1
Currency and deposits	-	-	7.2	24.4	4.0	2.8	0.6	0.0	-	-	-
prev. year=100	X	X	X	340.9	16.2	71.4	21.7	3.7	0.0	X	X
Securities other than shares	232.1	275.6	354.8	427.4	528.4	633.8	698.2	788.6	871.0	951.3	1108.8
prev. year=100	118.2	118.7	128.7	120.5	123.6	119.9	110.2	112.9	110.5	109.2	116.6
Loans	108.4	129.8	222.8	243.2	235.9	211.1	186.6	159.7	152.8	153.6	173.5
prev. year=100	104.8	119.7	171.7	109.2	97.0	89.5	88.4	85.6	95.7	100.6	112.9
Central government debt bn CZK	314.6	378.3	553.0	653.2	718.8	783.1	812.8	867.0	939.1	1016.1	1186.6
prev. year=100	115.8	120.2	146.2	118.1	110.0	108.9	103.8	106.7	108.3	108.2	116.8
Currency and deposits	-	-	7.2	24.4	4.0	2.8	0.6	0.0	-	-	-
prev. year=100	X	X	X	340.9	16.2	71.4	21.7	3.7	0.0	X	X
Securities other than shares	222.4	267.9	347.8	415.4	517.4	611.5	674.8	765.9	848.3	928.9	1093.7
prev. year=100	120.2	120.5	129.8	119.4	124.6	118.2	110.3	113.5	110.7	109.5	117.7
Loans	92.2	110.4	198.0	213.4	197.5	168.7	137.4	101.1	90.8	87.2	92.9
prev. year=100	106.4	119.7	179.4	107.8	92.5	85.4	81.5	73.5	89.9	96.0	106.5
Local government debt bn CZK	34.5	35.8	40.3	50.0	59.0	72.0	79.1	86.6	88.4	91.9	98.2
prev. year=100	95.7	103.9	112.7	124.0	118.0	122.1	109.8	109.5	102.1	103.9	106.9
Currency and deposits	-	-	-	-	-	-	-	-	-	-	-
prev. year=100	X	X	X	X	X	X	X	X	X	X	X
Securities other than shares	10.1	8.2	7.1	12.3	11.9	22.6	24.0	23.1	23.3	23.3	16.2
prev. year=100	83.9	81.5	86.8	172.4	96.6	190.7	105.8	96.5	100.6	100.0	69.6
Loans	24.4	27.6	33.2	37.7	47.1	49.4	55.1	63.5	65.2	68.6	82.0
prev. year=100	101.6	113.1	120.4	113.6	125.0	104.8	111.6	115.2	102.6	105.3	119.5
Social security funds debt bn CZK	1.2	0.7	0.5	0.4	0.3	0.2	0.3	0.2	0.1	0.1	0.0
prev. year=100	67.8	61.9	64.9	84.6	79.5	74.5	117.5	69.5	30.9	155.9	41.3
Currency and deposits	-	-	-	-	-	-	-	-	-	-	-
prev. year=100	X	X	X	X	X	X	X	X	X	X	X
Securities other than shares	-	-	-	-	-	-	-	-	-	-	-
prev. year=100	X	X	X	X	X	X	X	X	X	X	X
Loans	1.2	0.7	0.5	0.4	0.3	0.2	0.3	0.2	0.1	0.1	0.0
prev. year=100	67.8	61.9	64.9	84.6	79.5	74.5	117.5	69.5	30.9	155.9	41.3

Note: Government debt consists of following financial instruments: currency and deposits, securities issued other than shares excluding financial derivatives and loans. Government debt means total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. The nominal value is considered equivalent to the face value of liabilities. It is therefore equal to the amount that the government will have to refund to creditors at maturity.

Table 2-29: General government debt by subsectors and instruments – ratios to GDP

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government debt based on instruments <i>(in % GDP)</i>	16.4	18.5	24.9	28.2	29.8	30.1	29.7	29.4	29.0	30.0	35.3
Currency and deposits <i>(in % GDP)</i>	-	-	0.3	1.0	0.2	0.1	0.0	0.0	-	-	-
Securities other than shares, exclusive of financial derivatives <i>(in % GDP)</i>	11.2	12.6	15.1	17.3	20.5	22.5	23.4	24.5	24.6	25.8	30.6
Loans <i>(in % GDP)</i>	5.2	5.9	9.5	9.9	9.2	7.5	6.3	5.0	4.3	4.2	4.8
Central government debt <i>(in % GDP)</i>	15.1	17.3	23.5	26.5	27.9	27.8	27.2	26.9	26.6	27.5	32.7
Currency and deposits <i>(in % GDP)</i>	-	-	0.3	1.0	0.2	0.1	0.0	0.0	-	-	-
Securities other than shares, exclusive of financial derivatives <i>(in % GDP)</i>	10.7	12.2	14.8	16.9	20.1	21.7	22.6	23.8	24.0	25.2	30.1
Loans <i>(in % GDP)</i>	4.4	5.0	8.4	8.7	7.7	6.0	4.6	3.1	2.6	2.4	2.6
Local government debt <i>(in % GDP)</i>	1.7	1.6	1.7	2.0	2.3	2.6	2.7	2.7	2.5	2.5	2.7
Currency and deposits <i>(in % GDP)</i>	-	-	-	-	-	-	-	-	-	-	-
Securities other than shares, exclusive of financial derivatives <i>(in % GDP)</i>	0.5	0.4	0.3	0.5	0.5	0.8	0.8	0.7	0.7	0.6	0.4
Loans <i>(in % GDP)</i>	1.2	1.3	1.4	1.5	1.8	1.8	1.8	2.0	1.8	1.9	2.3
Social security funds debt <i>(in % GDP)</i>	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits <i>(in % GDP)</i>	-	-	-	-	-	-	-	-	-	-	-
Securities other than shares, exclusive of financial derivatives <i>(in % GDP)</i>	-	-	-	-	-	-	-	-	-	-	-
Loans <i>(in % GDP)</i>	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

International comparison

Table 2-30: General government balance and debt of EU countries

		Balance					Debt				
		2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
EU 27	(in % GDP)	-1.4	-0.8	-2.3	-6.8	.	61.4	58.8	61.6	73.6	.
EA	(in % GDP)	-1.3	-0.6	-2.0	-6.3	-6.6	68.7	66.2	69.7	78.7	84.6
Belgium	(in % GDP)	0.3	-0.2	-1.2	-6.0	-4.8	88.1	84.2	89.8	96.7	99.0
Bulgaria	(in % GDP)	3.0	0.1	1.8	-3.9	-2.0	22.7	18.2	14.1	14.8	14.7
Czech Republic	(in % GDP)	-2.6	-0.7	-2.7	-5.9	-5.3	29.4	29.0	30.0	35.4	37.5
Denmark	(in % GDP)	5.2	4.8	3.4	-2.7	-5.4	32.1	27.4	34.2	41.6	45.1
Estonia	(in % GDP)	2.5	2.6	-2.7	-1.7	-2.2	4.5	3.8	4.6	7.2	9.6
Finland	(in % GDP)	4.0	5.2	4.2	-2.2	-4.1	39.7	35.2	34.2	44.0	49.9
France	(in % GDP)	-2.3	-2.7	-3.3	-7.5	-8.0	63.7	63.8	67.5	77.6	83.2
Ireland	(in % GDP)	3.0	0.1	-7.3	-14.3	-11.5	24.9	25.0	43.9	64.0	83.9
Italy	(in % GDP)	-3.3	-1.5	-2.7	-5.3	-5.0	106.5	103.5	106.1	115.8	116.9
Cyprus	(in % GDP)	-1.2	3.4	0.9	-6.1	-6.2	64.6	58.3	48.4	56.2	62.0
Lithuania	(in % GDP)	-0.4	-1.0	-3.3	-8.9	-8.1	18.0	16.9	15.6	29.3	36.6
Latvia	(in % GDP)	-0.5	-0.3	-4.1	-9.0	-8.5	10.7	9.0	19.5	36.1	56.0
Luxemburg	(in % GDP)	1.4	3.6	2.9	-0.7	-4.2	6.5	6.7	13.7	14.5	19.3
Hungary	(in % GDP)	-9.3	-5.0	-3.8	-4.0	-3.8	65.6	65.9	72.9	78.3	78.9
Malta	(in % GDP)	-2.6	-2.2	-4.5	-3.8	-3.9	63.7	61.9	63.7	69.1	69.7
Germany	(in % GDP)	-1.6	0.2	0.0	-3.3	-5.5	67.6	65.0	66.0	73.2	78.9
Netherlands	(in % GDP)	0.5	0.2	0.7	-5.3	-6.3	47.4	45.5	58.2	60.9	65.6
Poland	(in % GDP)	-3.6	-1.9	-3.7	-7.1	-6.9	47.7	45.0	47.2	51.0	53.5
Portugal	(in % GDP)	-3.9	-2.6	-2.8	-9.4	-8.3	64.7	63.6	66.3	76.8	85.7
Austria	(in % GDP)	-1.5	-0.4	-0.4	-3.4	-4.7	62.2	59.5	62.6	66.5	70.2
Romania	(in % GDP)	-2.2	-2.5	-5.4	-8.3	-6.6	12.4	12.6	13.3	23.7	29.1
Greece	(in % GDP)	-3.6	-5.1	-7.7	-13.6	-8.7	97.8	95.7	99.2	115.1	122.9
Slovakia	(in % GDP)	-3.5	-1.9	-2.3	-6.8	-5.5	30.5	29.3	27.7	35.7	39.4
Slovenia	(in % GDP)	-1.3	0.0	-1.7	-5.5	-5.8	26.7	23.4	22.6	35.9	39.8
Spain	(in % GDP)	2.0	1.9	-4.1	-11.2	-9.8	39.6	36.2	39.7	53.2	65.9
Sweden	(in % GDP)	2.5	3.8	2.5	-0.5	-2.1	45.7	40.8	38.3	42.3	41.3
United Kingdom	(in % GDP)	-2.7	-2.8	-4.9	-11.5	-11.2	43.5	44.7	52.0	68.1	80.5

Table 2-31: Transactions of general governments of EU countries in 2009

Country	Transactions	Revenue	Expenditure	Compensation of employees	Cash social benefits	Consumption ¹⁾	Investments ²⁾	Interest expenditure
EU 27	(in % GDP)	44.0	50.7	11.2	17.1	22.4	2.9	2.6
EA	(in % GDP)	44.4	50.7	10.8	17.7	22.1	2.8	2.8
Belgium	(in % GDP)	48.2	54.2	12.8	17.4	24.6	1.8	3.8
Bulgaria	(in % GDP)	36.9	40.7	9.7	12.5	16.2	4.8	0.8
Czech Republic	(in % GDP)	40.3	46.1	8.1	13.8	22.1	5.4	1.3
Denmark	(in % GDP)	55.8	58.6	19.4	16.8	29.7	2.1	2.1
Estonia	(in % GDP)	43.6	45.4	12.9	14.1	22.2	4.9	0.3
Finland	(in % GDP)	53.2	55.6	14.9	17.8	25.1	2.8	1.4
France	(in % GDP)	48.1	55.6	13.2	18.8	24.5	3.3	2.3
Ireland	(in % GDP)	34.1	48.4	12.1	15.3	19.4	4.5	2.1
Italy	(in % GDP)	46.6	51.9	11.3	19.2	21.6	2.4	4.6
Cyprus	(in % GDP)	40.3	46.4	15.6	13.6	19.9	4.1	2.5
Lithuania	(in % GDP)	34.1	43.0	12.7	15.0	21.7	3.9	1.0
Latvia	(in % GDP)	34.0	42.9	11.9	12.3	18.4	3.9	1.6
Luxemburg	(in % GDP)	41.6	42.4	7.9	15.5	16.7	3.6	0.5
Hungary	(in % GDP)	45.8	49.8	11.2	16.1	22.0	2.7	4.7
Malta	(in % GDP)	40.5	44.3	14.5	13.4	21.8	2.2	3.2
Germany	(in % GDP)	44.3	47.6	7.4	18.4	19.7	1.7	2.6
Netherlands	(in % GDP)	46.3	51.6	10.0	11.6	28.2	4.0	2.2
Poland	(in % GDP)	37.4	44.5	10.2	14.7	18.4	5.3	2.6
Portugal	(in % GDP)	41.6	51.0	13.7	17.2	22.7	2.4	2.9
Austria	(in % GDP)	48.3	51.8	9.8	19.5	19.8	1.1	2.7
Romania	(in % GDP)	32.1	40.4	10.6	12.9	17.6	5.4	1.5
Greece	(in % GDP)	36.9	50.4	12.4	20.6	19.1	2.9	5.0
Slovakia	(in % GDP)	34.0	40.8	7.8	13.6	19.9	2.3	1.5
Slovenia	(in % GDP)	44.4	49.9	12.6	16.8	20.2	4.9	1.4
Spain	(in % GDP)	34.7	45.9	11.8	14.6	21.2	4.4	1.8
Sweden	(in % GDP)	55.7	56.5	15.4	16.6	28.1	3.6	1.2
United Kingdom	(in % GDP)	40.3	51.7	12.0	15.1	23.4	2.7	1.9

¹⁾ Collective and individual consumption of general government.

²⁾ Gross fixed capital formation.