CZECH REPUBLIC

Falling investment and recession in major export markets contributed to a sharp downturn at the beginning of this year. Real GDP turned slightly positive in the second quarter, largely due to a pick-up in exports and continued, albeit weak, consumption growth. A gradual recovery is projected for 2010 and 2011, driven by stronger investment and export demand, though weak consumption will act as a drag on growth. Inflation has been negative during part of 2009 but is expected to rise gradually to about 2% in 2011.

The government responded to the downturn with two stimulus packages and cyclical factors will further increase the general government deficit. However, there is little room for further discretionary fiscal easing and parliament has already approved a fiscal consolidation plan to reduce the government deficit. Sustaining the consolidation effort over the longer term will require addressing large unresolved spending issues, particularly in health care, welfare and pensions as part of the necessary exit strategy.

Czech Republic: **Demand, output and prices**

	2006	2007	2008	2009	2010	2011
	Current prices CZK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 562.6	4.9	3.4	1.2	-0.7	1.6
Government consumption	687.0	0.7	1.6	2.0	-0.9	0.6
Gross fixed capital formation	796.3	10.8	-1.1	-7.3	1.0	4.5
Final domestic demand	3 045.9	5.5	1.8	-0.8	-0.4	2.1
Stockbuilding[1]	67.7	-0.1	-0.5	-4.3	0.7	0.1
Total domestic demand	3 113.5	5.2	1.2	-5.3	0.4	2.2
Exports of goods and services	2 471.2	15.0	6.0	-13.6	3.8	6.4
Imports of goods and services	2 359.5	14.2	4.6	-15.3	1.5	5.9
Net exports[1]	111.6	1.1	1.4	0.6	1.7	0.8
GDP at market prices	3 225.2	6.1	2.6	-4.4	2.0	2.8
GDP deflator	_	3.4	1.7	3.1	0.6	1.9
Memorandum items						
Consumer price index	_	3.0	6.3	1.1	1.4	2.0
Private consumption deflator	_	2.9	5.6	0.4	1.2	2.1
Unemployment rate	_	5.3	4.4	6.9	8.4	7.9
General government financial balance[2]	_	-0.7	-2.0	-5.7	-5.6	-5.0
Current account balance[2]	_	-3.1	-3.0	-1.0	0.3	0.3

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

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OECD Economic Outlook is published twice a year and analyses the major trends and the economic policies required to foster high and sustainable growth in member countries**.** *Released 19 November 2009.* Available at www.oecd.org/oecdeconomicoutlook.