

CZECH REPUBLIC

Real GDP is contracting, largely reflecting a specialisation in export-dependent manufacturing. Falling investment and recession in major export markets are contributing to a sharp downturn this year, followed by a weak recovery in 2010, driven by the gradual pick-up of private consumption and export demand. Inflation is set to fall sharply, reflecting both the global recession and slower growth of administered prices.

The government has responded to the downturn with two stimulus packages, but there is little room for further discretionary fiscal easing. Monetary policy has been relaxed gradually since August 2008, and additional interest rate cuts are possible. Measures to ease the regulatory burden on business could also reduce the pressure on the enterprise sector without raising the fiscal deficit.

Czech Republic: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices CZK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 464.3	5.2	4.9	2.6	0.8	0.0
Government consumption	658.5	1.2	0.7	1.7	3.3	0.9
Gross fixed capital formation	741.9	6.0	10.8	-0.1	-7.0	-1.8
Final domestic demand	2 864.7	4.5	5.5	1.7	-0.6	-0.2
Stockbuilding ¹	24.3	1.0	-0.1	-0.5	-2.9	0.2
Total domestic demand	2 889.0	5.5	5.2	1.1	-3.7	0.0
Exports of goods and services	2 150.3	16.4	15.0	6.2	-17.6	2.4
Imports of goods and services	2 057.0	14.7	14.2	4.2	-17.7	0.4
Net exports ¹	93.3	1.7	1.1	1.8	-0.7	1.4
GDP at market prices	2 982.3	7.0	6.1	2.8	-4.2	1.4
GDP deflator	–	1.1	3.4	1.6	4.5	1.4
<i>Memorandum items</i>						
Consumer price index	–	2.6	3.0	6.3	1.6	0.3
Private consumption deflator	–	1.4	2.9	5.5	0.6	1.2
Unemployment rate	–	7.2	5.3	4.4	6.9	9.2
General government financial balance ²	–	-2.6	-0.6	-1.4	-4.5	-4.9
Current account balance ²	–	-2.5	-3.1	-3.0	-1.4	1.0

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 85 database.