

6. Basic Data on the Czech Republic

KEY FACTS

Area	78,864 km ²
Population	10.5 million
Labour force	5.3 million
Capital	Prague
Language	Czech
Currency	Czech Koruna (CZK)

Source: Czech Statistical Office, 2011

The Czech Economy in 2011 and Forecasts for 2012

The global economic situation has worsened since July 2011 and there are fears for a second round of recession. This is reflected in the newest estimates of future development of the Czech economy. A real GDP is expected to grow by 2.1% in 2011, while the growth estimate amounts to 1.0% in 2012.

Future development of the Czech economy will depend considerably on whether, how quickly, and with what consequences the current situation in problematic euro zone countries will be resolved. Growth in the developed economies of the USA and the EU, the Czech Republic's main export destinations, has slowed. Not even the large emerging economies provide a clear picture. Although their growth remains high, there are signs of a slowdown.

Consumer prices should increase by 1.9% in 2011. In 2012, inflation will be significantly affected by administrative measures, which will account for approximately three quarters of the growth in consumer prices. The presumed increase of the reduced VAT rate from 10% to 14% as from the beginning of 2012 will represent an impact on CPI in the amount of 1.1 p.p., and the Ministry of Finance expects it to be fully reflected in consumer prices.

The labour market has so far reflected the improving economic situation at the start of the year with a standard lag. Employment is rising, unemployment is slightly decreasing, and growing participation is compensating for the decrease in the working age population. The future situation on the labour market will likely reflect the slow economic growth and uncertainty concerning the condition of the Czech economy. For 2012, the Czech Ministry of Finance anticipates a decrease in employment of 0.2%. The unemployment rate should be around 6.9% both in 2011 and 2012. The average nominal gross wage could increase by 2.3% in 2011 and by 2.7% in 2012.

The current account as a percentage of GDP should remain at a sustainable level. The general government balance is expected to reach -3.7% of GDP this year. In 2012, in accordance with approved consolidation strategy there should be an improvement to -3.2% of GDP. The government debt to GDP ratio shall increase from 40.5% of GDP in 2011 to 42.2% in 2012.

The average CZK/EUR exchange rate reached 24.39 in the third quarter of 2011, approximately the same value as in the first half of the year. The worsening situation on financial markets and increasing aversion to risk during September 2011 led to a gradual weakening to the value of 24.90 CZK/EUR. The Ministry of Finance regards this weakening of the free floating Czech Koruna as positive, because it may help exporters to cope with the expected slowdown in foreign demand.

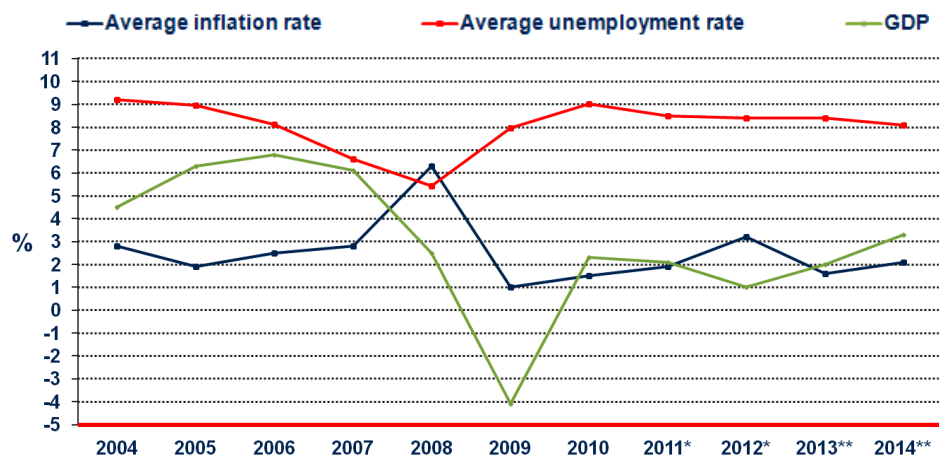
Source: Ministry of Finance, 2011

Indicators	2005	2006	2007	2008	2009	2010	2011 Forecast	2012 Forecast
GDP growth (constant prices 2000,%)	6.3	6.8	6.1	2.5	-4.1	2.3	2.1	1.0
GDP per capita (PPS / EU-27)	17,000	18,200	19,900	20,200	19,200	19,500	20,100	20,500
Gross foreign debt (% GDP)	38.4	37.1	39.0	44.2	45.2	48.8	49	51
Long-term interest rates (government bonds)	3.51	3.78	4.28	4.55	4.67	3.71	3.7	3.7
Balance of goods and services (% GDP)	2.9	3.4	3.0	2.7	4.4	3.5	3.7	3.8
Average inflation rate (%)	1.9	2.5	2.8	6.3	1.0	1.5	1.9	3.2
Labour productivity (increase in %)	5.0	5.4	4.1	0.8	-2.8	3.4	1.7	1.2
Unemployment (avg., thousand persons)*	410	371	276	230	352	384	362	366
Unemployment rate (avg., %)*	7.9	7.1	5.3	4.4	6.7	7.3	6.9	6.9
Average nominal gross wage (increase in %)	5.0	6.6	7.2	7.8	3.3	1.9	2.2	2.7
Average real gross wage (increase in %)	3.1	3.9	4.3	1.4	2.3	0.5	0.3	-0.5
Average monthly gross wage (CZK)	18,344	19,546	20,957	22,592	23,344	23,797	24,300	25,000
Average monthly gross wage (USD)	766	864	1,032	1,327	1,225	1,245	1,389	1,412
Average monthly gross wage (EUR)	616	690	755	906	883	941	1,000	1,046
Exchange rate – CZK/USD (avg.)	23.95	22.61	20.31	17.03	19.06	19.11	17.5	17.7
Exchange rate – CZK/EUR (avg.)	29.78	28.34	27.76	24.94	26.45	25.29	24.3	23.9

Source: Ministry of Finance, 2011

*Labour Force Survey of the EU

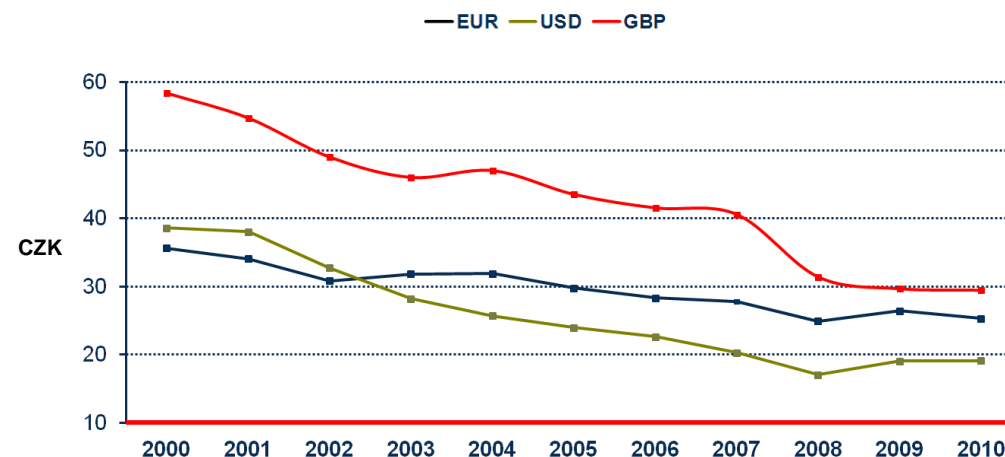
Basic Economic Indicators



Source: Ministry of Finance, 2011

*forecast, **outlook

Average Exchange Rates



Source: Ministry of Finance, 2011