

# Czech Republic and Slovak Republic: economic development after EU entry

Karina Kubelková

Chief Economic Analyst

**Czech Chamber of Commerce**

## Chapters in Economic Policy, 7th of May 2018

## Facts

- 1993 split of Czechoslovakia, creation of the Czech Republic and Slovakia + currency separation
- 2004 entrance into the EU
- 2009 Slovakia entered the euro area
- Small, export-oriented open economies



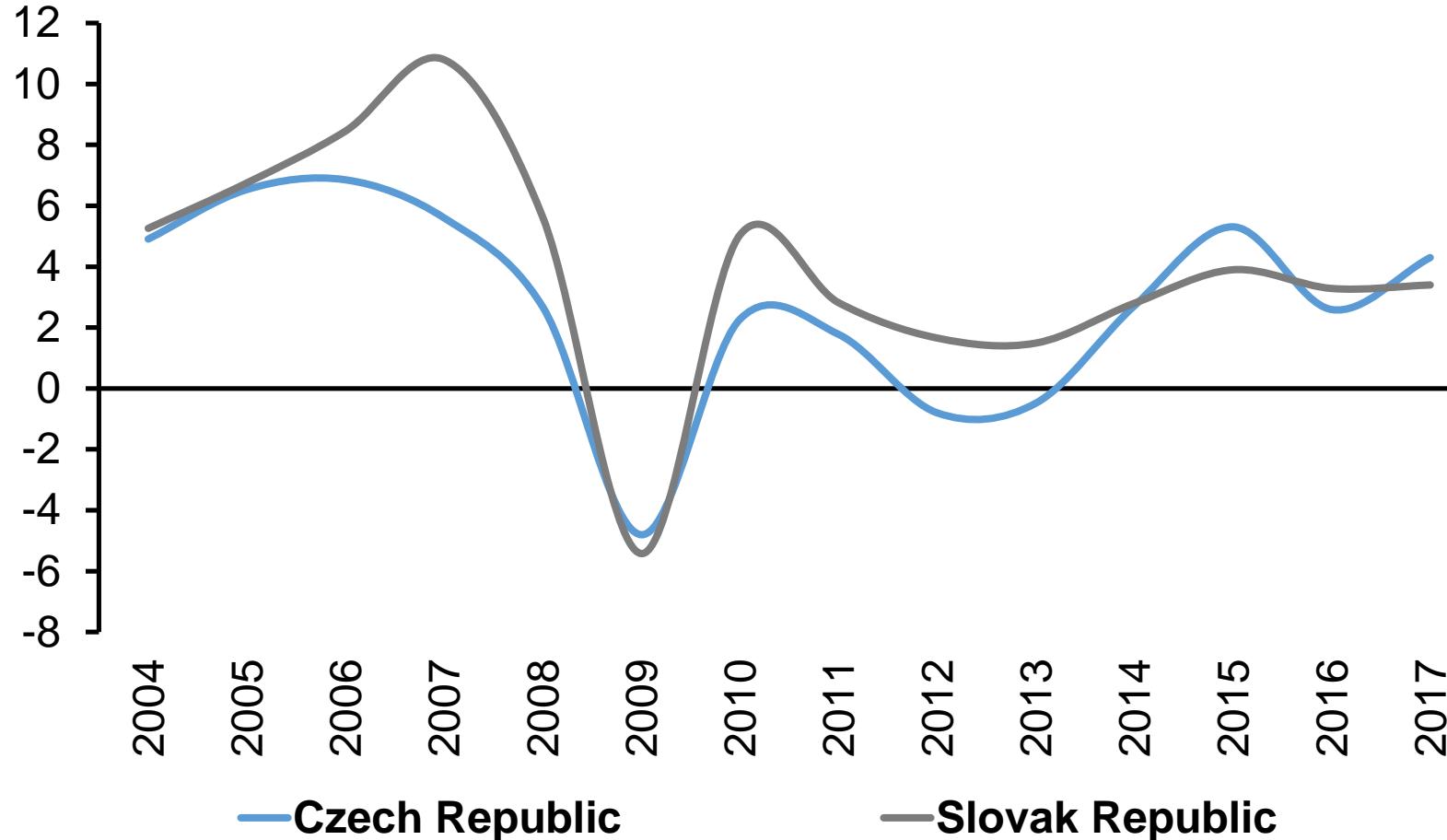
# Czech & Slovak Economy

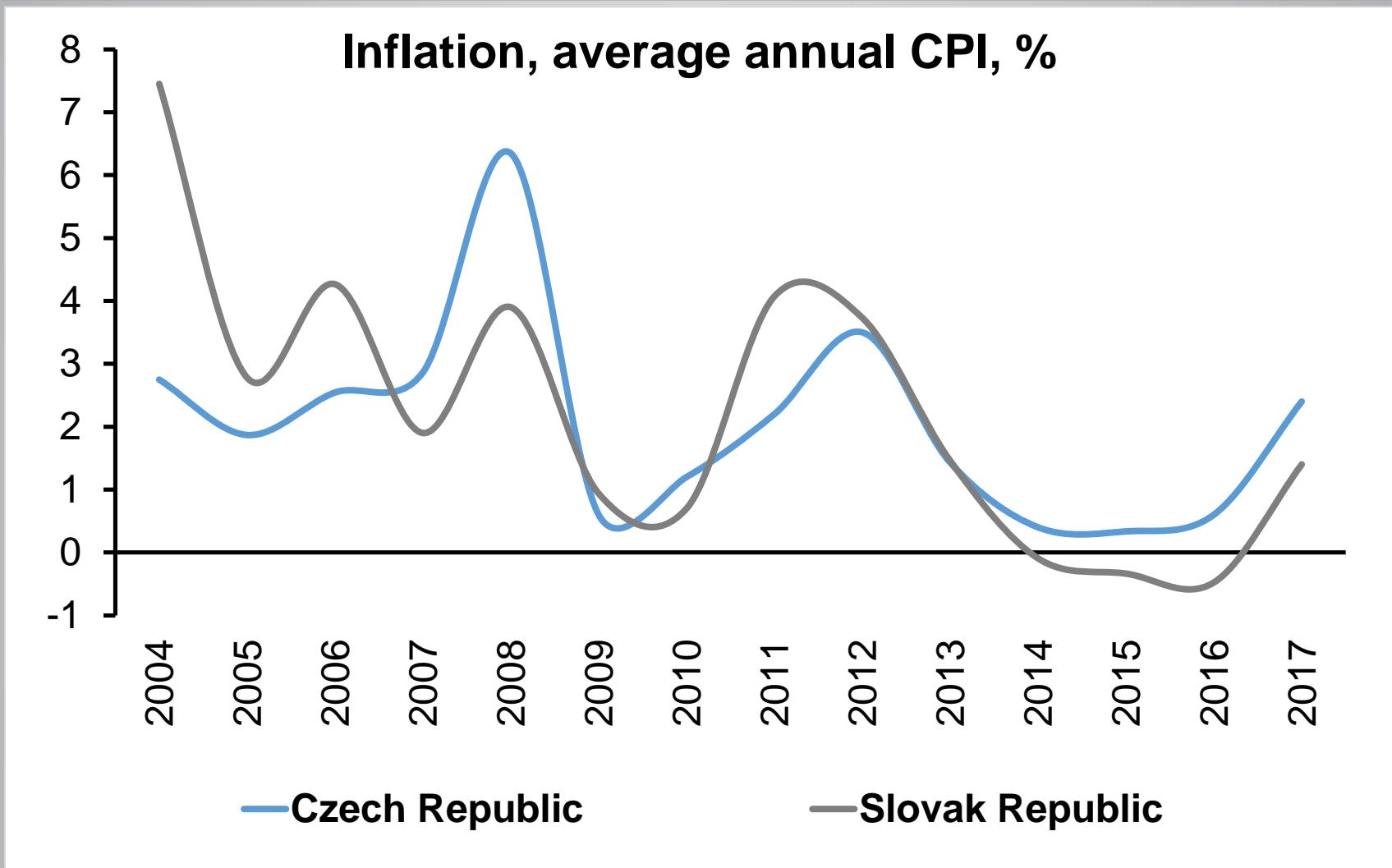
## 2004 – 2017

---

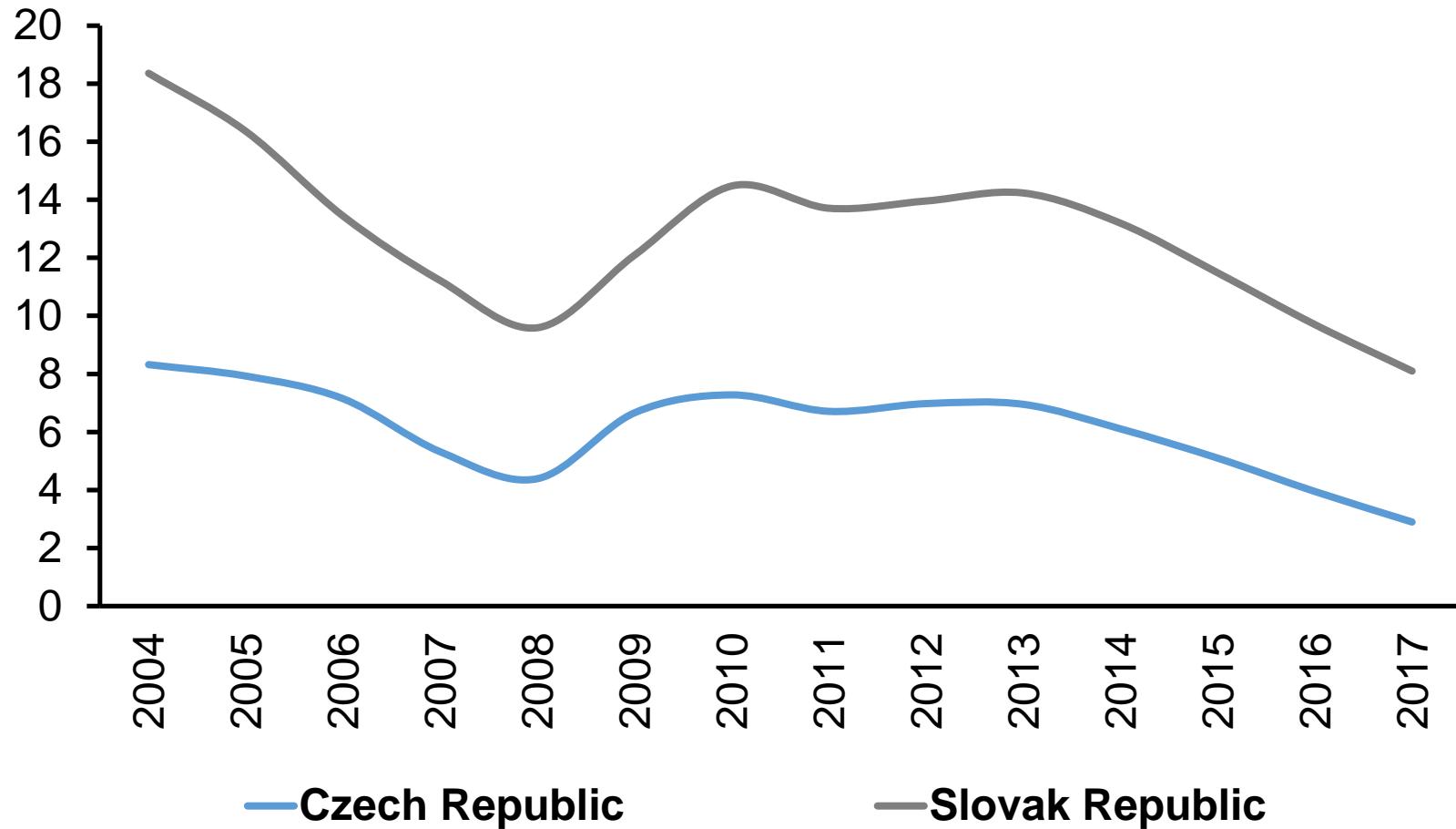
POWER | RESPECT | INDEPENDENCE

## GDP, constant prices, yoy, %

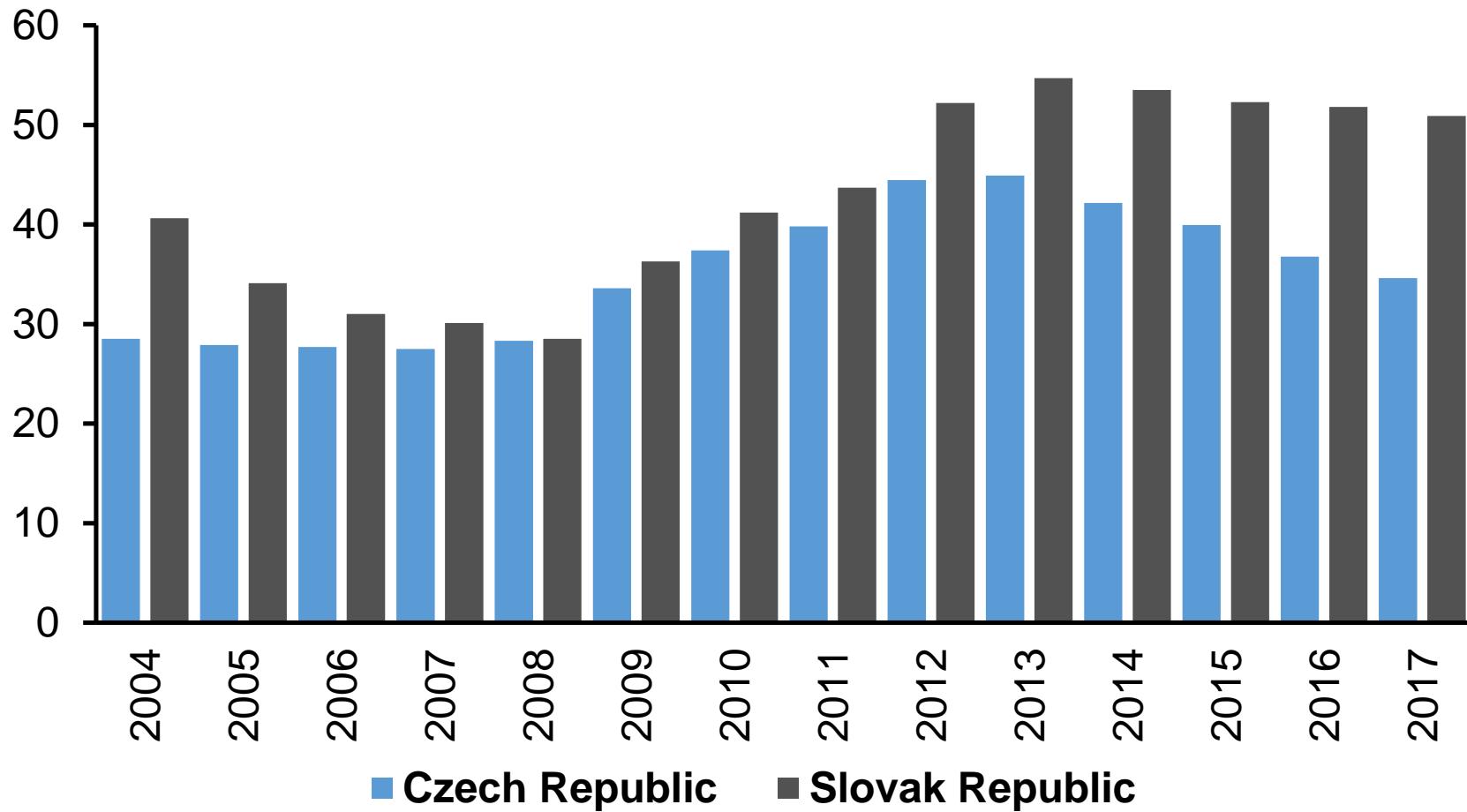




## Unemployment rate (ILO), annual average, %



## General government gross debt, % of GDP





# Czech & Slovak Economy

## 2018

---

POWER | RESPECT | INDEPENDENCE

# EC Forecast Spring 2018

		2017F	2018F	2019F
<b>GDP growth (%, yoy)</b>	Czech	4,4	<b>3,4</b>	3,1
	Slovak	3,4	<b>4</b>	4,2
	<b>EU27</b>	<b>2,6</b>	<b>2,5</b>	<b>2,2</b>
<b>Inflation (%, yoy)</b>	Czech	2,4	<b>2,1</b>	1,8
	Slovak	1,4	<b>2,4</b>	2,1
	<b>EU27</b>	<b>1,6</b>	<b>1,6</b>	<b>1,7</b>
<b>Unemployment (%)</b>	Czech	2,9	<b>2,4</b>	2,4
	Slovak	8,1	<b>7,1</b>	6,3
	<b>EU27</b>	<b>7,6</b>	<b>6,9</b>	<b>6,5</b>
<b>Public budget balance (% of GDP)</b>	Czech	1,6	<b>1,4</b>	0,8
	Slovak	-1	<b>-0,9</b>	-0,3
	<b>EU27</b>	<b>-0,8</b>	<b>-0,6</b>	<b>-0,6</b>
<b>Gross public debt (% of GDP)</b>	Czech	34,6	<b>32,7</b>	31,8
	Slovak	50,9	<b>49</b>	46,6
	<b>EU27</b>	<b>83,1</b>	<b>81,2</b>	<b>79,8</b>
<b>Current account balance (% of GDP)</b>	Czech	0,5	<b>0,3</b>	-0,3
	Slovak	0,5	<b>0,8</b>	1,4
	<b>EU27</b>	<b>3,4</b>	<b>3,2</b>	<b>3,2</b>

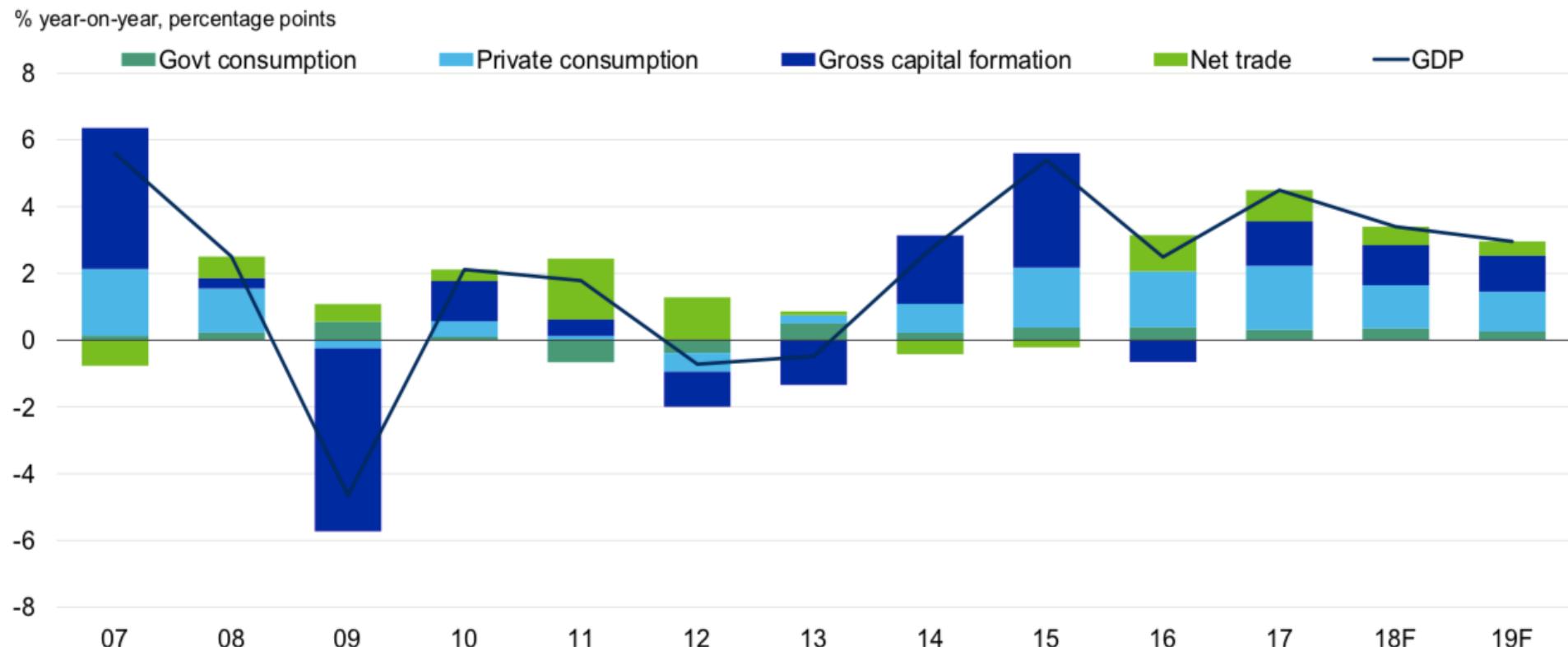
# Slovakia

- Upswing in investment
- More positive contributions of net trade
- Robust private demand
- Solid real wage growth
- Further employment gains
- Government deficit decrease

# Czech Republic

- GDP growth above potential
- Domestic demand – main driver
- Rising labour market shortages
- Inflation under control

# Strong momentum of Czech economy



Sources: Eurostat, Moody's Investors Service

# CCC Economic Forecast, March 2018

<i>SELECTED INDICATORS</i>	2017F	2018F	2019F
<b>Selected Components of Demand (yoY, constant prices)</b>			
GDP (%)	4,5	<b>4,2</b>	3,3
Household Expenditure (%)	4,0	<b>4,7</b>	4,5
Gross Capital Formation (%)	5,0	<b>6,2</b>	4,3
Government Consumption (%)	1,6	<b>1,6</b>	1,7
Exports of Goods and Services (%)	6,9	<b>6,5</b>	6,3
Imports of Goods and Services (%)	6,2	<b>7,1</b>	7,2
<b>Industry and Retail (yoY, constant prices)</b>			
Industrial Production (%)	6,1	4,3	3,6
Retail (%)	5,7	6,2	5,8
<b>Labor Market and Wages</b>			
Unemployment rate (%, ILO, annual average)	2,9	2,4	2,7
Nominal Wages (%, yoY)	7,0	8,6	8,1
<b>PriceS Development (yoY)</b>			
CPI inflation (%)	2,5	2,9	2,2
<b>External Relations</b>			
Trade Balance (% GDP, national concept)	3,0	1,9	1,6
Current Account Balance (% GDP)	1,3	0,9	0,7
<b>Monetary Conditions (annual average)</b>			
CZK/EUR	26,30	25,20	24,70

# CCC Economic Forecast, March 2018

## New „push“ factors in 2018

- Drawing up of European funds
- Significant recovery of construction sector
- Results of massive investments by companies into digitization/robotization

# CCC Economic Forecast, March 2018

## Limits and Risks

- The risks to GDP growth are roughly balanced
  - Main positive risk: continued political stabilization within the eurozone and EU
  - The main negative risk: protectionism in the US and US foreign policy
- The biggest obstacle to company development - lack of workforce (mismatch problem)



# Thank you for your attention!

Karina Kubelková

[kubelkova@komora.cz](mailto:kubelkova@komora.cz)

Czech Chamber of Commerce

[www.komora.cz](http://www.komora.cz)

---

POWER | RESPECT | INDEPENDENCE