
Macroeconomic indicators - EC sees Czech economy to grow in coming years

Friday, 06 Nov, 2009

European Commission said that Czech economy will grow by 0.8% in 2010 and by 2.3% in 2011, while this year it may contract by up to 4.8% due to the global economic crisis.

The EC's estimate is more optimistic than the Czech Finance Ministry's latest forecast which puts GDP growth for next year at 0.3% and for this year expects a 5% fall.

The EC said that recession has ended in the second quarter of 2009 when real gross domestic product got stabilized. A moderate economic growth will follow in the coming quarters. Czech growth will be pulled in particular by better condition of global economy and thus also higher exports. Fall in investments, which will reach 7.9% this year, should also stop.

On the other hand, consumer demand will probably decrease notably in 2010 due to the not too good situation on the labor market and slow wage growth.

The EC said that the economic revival in the Czech Republic will, however, be combined with the country's growing debt. Budget deficit is expected to reach 6.6% of GDP this year, 5.5% of GDP in 2010 and 5.7% of GDP in 2011.

The EC also points at the uncertainty linked with the general election to be held at end May 2010. It is hard to say whether the new government will adopt the necessary savings measures without which the Czech Republic's debts would grow significantly.

The Czech Republic's total debt was at some 30% of GDP last year, while this year it is to be 36.5% of GDP already, next year 40.6% of GDP and in 2011 even 44% of GDP. This means that spending on debt servicing will grow, taking up most of the money from public resources designed for investments.

The EC forecasts that despite the economic downturn, the Czech Republic will keep one of the lowest unemployment rates in the EU. Unemployment in the Czech Republic is to reach 6.9% this year, 7.9% in 2010 and 7.4% in 2011.

(Sourced from Czech News Agency)

For more news visit at www.steelguru.com