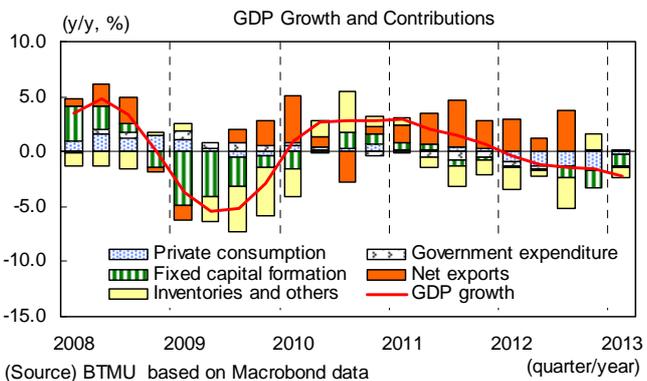
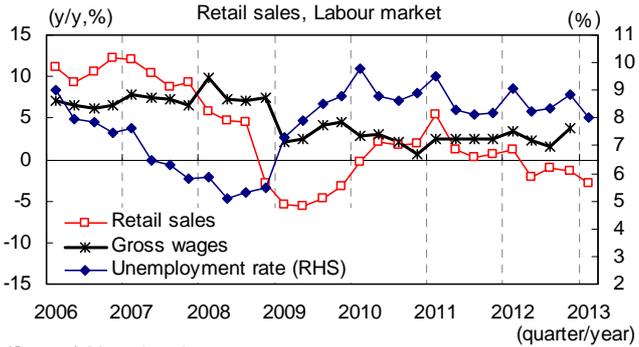
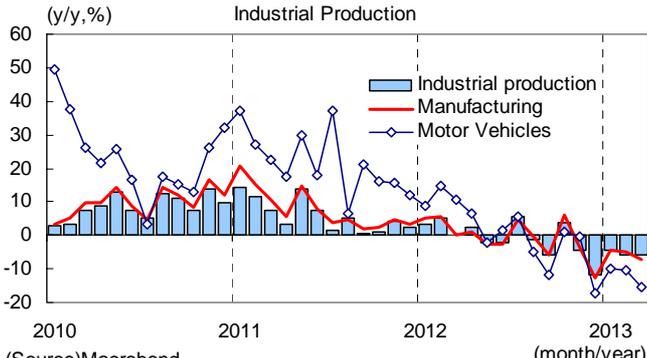
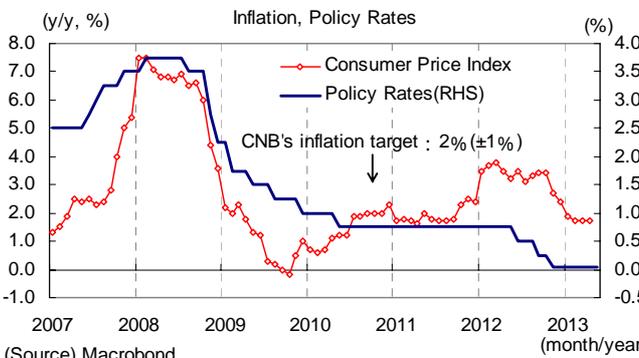


Main Economic & Financial Indicators: Czech Republic

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Overview	Consumption/Labour Markets
<p>The Czech economy continued to contract in Q1 2013. Gross Domestic product in the country in Q1 fell by 2.2% y/y, deeper than the 1.6% y/y decline in the previous quarter. The decline in private consumption which was the main drag on GDP contraction in 2012 eased somewhat from a fall of 3.5% y/y in the previous quarter to -0.5% y/y. Consumer confidence has been showing signs that it is bottoming out recently reflecting an ease in inflation. That said, however, household budgets are still under pressure from the government's austerity measures and weak earnings growth. Meanwhile, as the economy struggles, companies continue to be reluctant to invest. Gross fixed capital formation declined 3.9% y/y in Q1. As well as the weak domestic demand, weak external demand is also a drag on businesses. In fact, according to the latest foreign trade statistics, exports to non-EU countries such as Russia, USA and China fell while exports to EU countries, and the euro area in particular, continues to fall. Sustained recovery in the Czech economy is likely to start from 2014 when exports to the eurozone are expected to start to recover.</p>  <p>(Source) BTMU based on Macrobond data</p>	<p>Retail sales in March fell by 3.3% y/y, recording a fifth consecutive month of decline. This was mainly owing to a decline in the sale and repair of motor vehicles (-6.8% y/y). Although an ease in Inflation since late last year softened the pressure on consumers, weak earning growth and the government's austerity measures, notably rise in value added tax and new tax on higher income earners, put pressures on household budgets. The unemployment rate stood at 7.7%, an improvement from 8.4% a year earlier, but remaining at an elevated level.</p>  <p>(Source) Macrobond</p>
<p>Output</p> <p>Industrial production fell by 6.0% year-on-year in March, recording six consecutive months of decline. A close look at the data reveals that decline in the mining sector widened from 6.3% y/y in February to 12.8% y/y. The Manufacturing sector fell by 7.2% y/y. This contraction in the manufacturing sector was largely due to the decline in the production of motor vehicles, trailers & semi-trailers in which output fell by 15.4% y/y. The Purchasing Managers Index (PMI) for the manufacturing sector in April stood at 50.1, recovering to above the 50 mark which indicates an expansion in the sector after 13 months of contraction. That said, however, new orders continued to fall although at a slower pace. Moreover, with the latest PMI figures in Germany below the 50 mark, this indicates weak output prospects in the Czech Republic.</p>  <p>(Source) Macrobond</p>	<p>Price/Interest rates</p> <p>Prices : The consumer price inflation was unchanged for three months in a row in April, up by 1.7% y/y and remaining within the Czech National Bank's (CNB) target band of 1.0-3.0%. The CNB said in its latest inflation report that there remains upward pressure from the rise in the value added tax rate and increase in energy and water bills. However, it said that as demand side inflationary pressures remain weak owing to subdued domestic economic activity, inflation is likely to remain below its target of 2.0% until 2014.</p> <p>Policy rate : The monetary policy committee of the Czech National Bank (CNB) kept its policy rate unchanged at 0.05% at its meeting on May 2nd. At its press conference after the meeting, the CNB said that the Bank is ready to use foreign exchange interventions if needed to further ease monetary policy given the fact that there is no further space left for cutting its policy rate.</p>  <p>(Source) Macrobond</p>
<p>Balance of payments</p> <p>The current account deficit in 2012 narrowed to US\$4.73bn from US\$6.35bn in 2011. Due to the deteriorating EU economy, its main trade partner, exports fell by 5.0% y/y. Meanwhile, reflecting the decreases in domestic demand, imports also fell by 6.8%. As a result, the trade surplus widened to US\$7.46bn from US\$5.31bn in 2011.</p>	

Main Economic & Financial Indicators: Czech Republic

1. Annual and quarterly data

	2010	2011	2012	12/Q1	12/Q2	12/Q3	12/Q4	13/Q1
GDP (at current prices) * (US\$ bn)	198.3	216.0	195.7	50.3	48.7	47.6	49.2	49.3
Real GDP growth * (% , y/y)	2.3	1.8	-1.2	-0.4	-1.1	-1.4	-1.6	-2.2
(Private consumption)* (% , y/y)	0.9	0.5	-2.7	-1.9	-2.6	-2.7	-3.5	-0.5
(Gross fixed capital formation)* (% , y/y)	0.7	0.4	-2.6	-0.5	-0.1	-3.5	-6.0	-3.9
Industrial production (% , y/y)	9.6	2.4	-11.6	0.1	-2.0	-5.7	-11.6	-6.0
Retail sales (% , y/y)	1.4	1.9	-0.8	1.1	-2.1	-0.9	-1.4	-2.9
Bank credits to the private sector (% , y/y)	1.2	4.6	3.3	4.7	3.8	3.0	1.8	2.7
Consumer price index (% , y/y)	1.5	1.9	3.3	3.7	3.4	3.3	2.8	1.8
Average monthly wage growth (% , y/y)	2.2	2.4	2.7	3.4	2.3	1.5	3.7	-
Unemployment rate (%)	9.0	8.5	8.6	9.1	8.2	8.3	8.9	8.0
Trade balance (US\$ mn)	-1,101	610	3,700	1,729	955	779	195	1,847
Exports (US\$ mn)	116,406	122,637	135,877	35,540	32,463	31,809	34,002	32,008
Export growth (% , y/y)	14.3	5.4	10.8	3.5	-10.4	0.6	7.0	-10
Imports (US\$ mn)	117,508	122,027	132,176	33,811	31,508	31,030	33,808	30,162
Import growth (% , y/y)	17.3	3.8	8.3	0.8	-11.9	-3.9	6.9	-11
Current account (US\$ mn)	-7,677	-6,348	-4,727	889	-1,325	-2,420	-1,872	-
Capital and financial balances (US\$ mn)	10,825	5,915	8,873	1,074	93	2,263	5,390	-
Foreign direct investment (US\$ mn)	6,139	5,379	10,575	1,913	2,701	2,666	3,295	-
Foreign reserves (US\$ mn)	95,396	94,155	101,860	103,555	94,686	97,776	101,860	-
External debt (US\$ mn)	41,909	39,670	44,265	42,383	38,847	39,927	44,265	43,892
Stock price index	1459.6	1394.8	1199.2	1,236.5	1,143.7	1,174.1	1,241.7	1,265.4
Short-term int. rates (Interbank 3m) (period end)	1.220	1.170	0.500	1.240	1.080	0.820	0.500	0.470
EU Harmonised Gov. 10y bond yields	3.943	3.720	2.826	3.433	3.290	2.501	2.092	1.999
Koruna/USD	19.102	17.688	19.573	19.141	19.700	20.057	19.395	19.361
Koruna/Euro	25.287	24.597	25.145	25.085	25.260	25.075	25.160	25.550
Koruna/GBP	29.495	28.355	31.014	30.066	31.168	31.679	31.149	30.037

2. Monthly data

	12/10	11	12	13/01	2	3	4	5
Industrial production (% , y/y)	3.8	-4.3	-11.6	-4.4	-5.7	-6.0	-	-
Retail sales (% , y/y)	2.5	-1.7	-4.9	-0.6	-4.7	-3.3	-	-
Bank credits to the private sector (% , y/y)	1.9	1.7	1.9	2.6	2.8	2.8	2.3	-
Consumer price index (% , y/y)	3.4	2.7	2.4	1.9	1.7	1.7	1.7	-
Unemployment rate (%)	8.5	8.7	9.4	8.0	8.1	8.0	7.7	-
Trade balance (US\$ mn)	525	544	-894	117	870	885	-	-
Exports (US\$ mn)	12,400	11,976	9,159	11,000	10,674	11,194	-	-
Export growth (% , y/y)	2.4	1.6	-4.0	0.1	-7.6	-11.3	-	-
Imports (US\$ mn)	11,875	11,432	10,054	10,883	9,803	10,309	-	-
Import growth (% , y/y)	4.2	-3.3	0.5	3.8	-11.9	-13.0	-	-
Stock price index	1,231.3	1,228.3	1,267.3	1,297.2	1,250.3	1,245.0	1,198.9	1,216.5
Short-term int. rates (Interbank 3m) (period end)	0.690	0.510	0.500	0.500	0.500	0.470	0.460	0.460
EU Harmonised Gov. 10y bond yields	2.287	2.012	1.963	2.003	2.055	1.941	1.733	1.627
Koruna/USD	19.223	19.765	19.197	19.210	19.071	19.804	19.830	19.950
Koruna/Euro	24.940	25.358	25.191	25.536	25.456	25.651	25.830	25.893
Koruna/GBP	30.908	31.547	30.990	30.674	29.512	29.867	30.363	30.494

Note: *Seasonally adjusted

Source: Czech National Bank, Czech Statistics Office etc.

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