

Comparison of the development of economic performance of the regions of the Czech Republic

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Abstract:

This paper is focused on comparison of the development of economic performance of the regions of the Czech Republic from 2005 to 2010.

It is possible to observe the growth of gross domestic product till 2008, although the rate is different in each region. In 2009 the negative influence of economic crisis manifests itself, differently again in particular regions. In this year the decrease of investment activities measured by the indicator of gross fixed capital formation occurred too.

Keywords

Economic performance, gross domestic product, gross added value, gross fixed capital formation.

Introduction

In the area of economic performance of regions the full factor utilization in the region in particular is considered to be the main goal of regional politics. The consequence of it is the economic growth reflecting itself in the quality of life in the region. The economic base of the region can be understood as a system created by economic subjects and relationships between them and the environment. The impact of market forces has as its consequence the concentration of economic activities into selected regions, the growth of this regions and benefits coming from it as the emergence of new activities.

Among regions there are many important differences in the degree of economic performance and the disparities among regions are still deeper. The existence of disparities can be considered as an important incentive of social development, the assumption of creating of more efficient forms of local division of labor and specialization. The analysis of causes of disparities is necessary where the economic performance plays one of the crucial tasks. It's the only way how to set strategies of activation of the full region potential.

Goal and methods

The goal of this paper is to analyze the economic performance of regions of the Czech Republic from 2005 to 2009. Individual regions are characterized by their area, number of inhabitants and local governments. The part of basic characteristics is also the number of registered business entities. The economic performance is measured by indicators of gross domestic product, gross added value and the creation of fixed capital.

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Results and discussion

General characteristics of particular regions of the Czech Republic are in tab. 1. The largest region of the Czech Republic is the Central Bohemian Region which is at the same time the region with the largest number of inhabitants. Among regions with the largest number of inhabitants are South Moravia Region and Moravian-Silesian Region. The largest contribution on total number of companies shows the capital city Prague and Central Bohemian, South Moravia and Moravian-Silesian Region. On the contrary among regions with lowest number of companies belong Karlovy Vary Region, Pardubice Region and Vysočina Region.

Tab. 1 General characteristics of regions of the Czech Republic (2010)

Region	Area in km ²	Number of inhabitants	Number of local governments	Number of registered business entities
Capital Prague	496	1 257 158	1	506 273
Central Bohemia	11 015	1 264 978	1 145	307 761
South Bohemia	10 057	638 706	623	155 752
Plzeň	7 561	572 045	501	144 632
Karlovy Vary	3 314	307 444	132	82 322
Ústí nad Labem	5 335	836 045	354	176 422
Liberec	3 163	439 942	215	117 230
Hradec Králové	4 759	554 803	1 074	132 423
Pardubice	4 519	517 164	991	112 121
Vysočina	6 796	514 569	1 402	103 510
South Moravia	7 195	1 154 654	902	283 202
Olomouc	5 267	641 681	767	136 229
Zlín	3 963	590 361	438	134 374
Moravian-Silesian	5 427	1 243 220	623	245 290
Czech Republic	78 865	10 532 770	6 250	2 637 551

Source: ČSÚ, personal information processing

Economic performance of the region is significantly influenced by business abilities of businessmen. These cause the total competitiveness of regions which determines the rate of incomes and employment. Economic results of business subjects operating in particular region are reflected in the contribution of the region to the creation of gross domestic product. Gross domestic product is defined as a market value of financial goods produced in appropriate country during given period of time. As financial goods are considered those products which are final result of production process. The contribution of regions to the creation of gross domestic product is measured - as previously mentioned - by indicators the contribution of the region on GDP of CZ in % and GDP per capita in thousands of CZK.

The Czech Republic is one of states where the economic development in studied time span was basically satisfactory in comparison to another states of European Union till 2007. From 2005 to 2007 the annual growth of gross domestic product as a basic indicator of economic performance exceeded 6 % while the average of whole EU 27 moved around 3 %. In 2008 the impact of economic crisis started to manifest itself by the decrease of growth of GDP to 2,5 % and in 2009 the drop of GDP as in all states of EU occurred. In the Czech Republic it was 4,1 % in prices from the previous year.

Economic performance was not the same in all regions. Data in the tab. 2.

Tab. 2 The development of indicators of GDP

Region	Contribution of region to GDP of the CZ in %			GDP per capita in thousands of CZK		
	2005	2008	2010	2005	2008	2010
Capital Prague	24,0	25,3	25,8	606,9	762,4	777,0
Central Bohemia	10,7	10,7	10,7	269,7	325,0	322,8
South Bohemia	5,2	5,3	5,2	258,7	307,5	306,8
Plzeň	4,6	4,9	4,6	278,3	317,4	306,6
Karlovy Vary	2,1	2,1	2,1	225,4	254,0	259,6
Ústí nad Labem	6,6	6,4	6,6	235,3	284,6	299,4
Liberec	3,1	3,1	3,1	232,3	261,9	268,5
Hradec Králové	4,5	4,4	4,5	259,3	294,0	308,9
Pardubice	3,9	4,1	3,9	239,4	295,2	283,7
Vysočina	4,0	4,1	4,0	244,5	295,8	292,7
South Moravia	10,3	10,1	10,3	267,5	326,6	336,0
Olomouc	4,6	4,7	4,6	226,6	269,7	271,0
Zlín	4,7	4,6	4,7	232,6	286,2	301,4
Moravian-Silesian	9,8	10,2	9,8	237,2	297,9	297,2
Czech Republic	100,0	100,0	100,0	290,2	353,7	359,0

Source: ČSÚ, personal information processing

The contribution to regional gross domestic product occurred only in the capital city Prague. In other regions the contribution of the region to the creation of national GDP was almost stagnating. From found out data is clear that the regions with significant economic potential are Central Bohemia and South Moravia Region where during the whole analyzed period of time it exceeds 10% the contribution of region to the creation of gross domestic product of the state. To these regions the Moravian-Silesian Region is close. The lowest contribution is showed by Karlovy Vary Region (2,1%) and Liberec Region (3,1 %). The contribution of other regions moves between 4,0 and 6,6 %.

From 2005 to 2010 the total GDP of CZ moved between 3 116,1 and 3 775,2 billion CZK with the maximum in 2008 which was 3 848,4 billion CZK. In conversion of GDP to 1 inhabitant in thousands of CZK the value of this indicator in the capital city Prague exceeds more than two times, in some regions three times the value in other regions. The difference in development manifests itself in various regions. In Prague like in Karlovy Vary Region, Ústí Region, Liberec Region, South Moravian Olomouc and Zlín Regions the growth of GDP per capita take place, although in different rate. In contrast the decrease occurred in the rest of regions, Central Bohemia, South Bohemia, Plzeň, Pardubice, Vysočina and Moravian-Silesian Region.

International comparison shows that the capital city Prague ranks among the most developed regions. It is logical because Prague is the economic center of the Czech Republic. There is the largest number of business subjects, affiliated branches of transnational companies registered. Central bodies of public and private sector are concentrated here too. The South Moravia Region, which is one of the regions where the GDP grows permanently, although not so quickly as in Prague, plays also an important role in the Czech Republic. The important position has the industry; the contribution of agriculture is dropping. Ústí Region is characterized by significant mineral wealth, particularly by large

deposits of brown coal. It is the region with highly developed industry where energetics, coal mining, mechanical engineering, chemical and glass industry. Relatively rapid growth of GDP occurs in Zlín Region where the economic activity is based in the first place on the appreciation of material inputs and semi-finished products.

Particular sectors represented in the region have share on the growth of gross domestic product. Their contribution to the creation of that part of gross domestic product which was made in the region is possible to evaluate thanks to the indicator of gross added value defined as a difference between the market value of products and services and the price of input bought in another sector. It is a result of difference between the total goods production and services measured by basic prices on one side and inter-consumption in purchase price on another. The information about gross added value created in particular regions are in tab. 3.

Tab. 3 The development of gross added value and the creation of gross fixed capital

Region	Total gross added value in millions of CZK			The total creation of gross fixed capital in millions of CZK		
	2005	2008	2010	2005	2008	2009
Capital Prague	639 782	883 574	877 084	205 241	308 148	299 912
Central Bohemia	277 992	375 490	363 999	85 160	76 329	85 256
South Bohemia	145 310	177 055	176 518	47 431	36 848	2 222
Plzeň	137 296	161 3,85	158 151	38 110	35 923	48 515
Karlovy Vary	62 536	93 666	72 088	18 924	17 446	18 774
Ústí nad Labem	173 533	227 934	225 700	46 009	54 545	67 504
Liberec	89 170	109 125	106 410	22 060	27 744	22 871
Hradec Králové	127 347	156 927	154 437	25 719	25 392	31 345
Pardubice	108 484	139 601	132 223	23 828	29 754	27 479
Vysočina	111 767	137 821	135 876	28 929	24 687	29 793
South Moravia	270 955	359 287	349 290	78 274	97 459	94 184
Olomouc	129 786	159 837	156 814	28 397	31 749	47 960
Zlín	123 072	167 525	160 517	27 781	29 316	29 832
Moravian-Silesian	266 173	355 694	333 597	65 035	87 836	81 819
Czech Republic	2 663 203	3 504 921	3 402 704	740 898	883 176	927 465

Source: ČSÚ, personal information processing

The average gross added value in the whole Czech Republic during the studied period of time was at about 3 200 000 million CZK. The largest contribution on this result had the capital city Prague. From other regions it was particularly the Central Bohemian, South Moravian and Moravian-Silesian Region. The lowest level was in Karlovy Vary Region. These results correspond with the number of business entities in previously mentioned regions because there the gross added value is created. In 2010 the created gross added value dropped in all regions, although differently again. In contrast to average decrease of 3 % in 2010 in the whole Czech Republic compared to 2008, much higher decrease occurred in Karlovy Vary Region where it was 13 %.

The development of the contribution of particular main sectors to the creation of gross added value was significantly different. In all regions the drop of contribution of the

agriculture is permanent. Relatively permanent decrease of the contribution of industry is significant in the Central Bohemian, Plzeň, Ústí and Olomouc Region. For the South Moravian Region the stagnation of contribution of the industry to the GAV is typical. The only region where the contribution of the industry to the creation of gross added value grows during the studied period of time is the Zlín Region. In the rest of regions after the decrease till 2008 is followed by the growth of participation of industry in next years.

The potential for the favorable development of economic performance of the region in next year creates high level of contribution of expenses to the gross fixed capital. The gross fixed capital represents the renewal and acquisition of new material and non-material permanent assets characterized as a long-term consumption. The value of gross fixed capital shows the level of investment activities of particular region. The level of investment activities is measured by the indicator of creation of the gross fixed capital in the region in millions CZK (see tab. 3).

From the point of view of the analyzed indicator is possible to say that the highest investment activities are, next to the capital city Prague, particularly in the Central Bohemian, South Moravian and Moravian-Silesian Region. Positively can be measured also the Ústí Region. If we measured the development of value, it would be possible to say that in these regions occurs the decrease of creation of the gross fixed capital. Only in the Central Bohemian and Ústí Region the growth is significant. Among regions where the total amount of gross fixed capital is even lower in comparison to the largest regions but where it grows in the studied period of time, are South Bohemian, Plzeň, Karlovy Vary, Hradec Králové, Vysočina and Olomouc Region. The Zlín Region practically stagnates.

Conclusions

In last years the special attention is paid to the decrease of disparities between particular regions. The insufficient use of resources leads to lower benefit of particular region to the creation of gross domestic product. The low level of development of such regions is decelerating the economic development of the state because it represents restraints of market possibilities of stronger regions. That is the reason for searching for regional politics' instruments oriented on the reduction of negative impacts of restructuring of the production in some regions.

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