



How Households Spend Their Money

Last week, we detailed [the difference between GDP and GNI](#) (which calculates what is left of the GDP after netting dividend and other flows out of and into the country). That gives us the foundation for assessing what sort of prosperity is being created in the Czech Republic. The news is good.

This week we will jump to the other side of the spectrum to take a look at how individual citizens are spending that prosperity. In 2014, household consumption rose to 7300 euros per person. That was the 22nd highest amount in the EU, and a 2000 euro increase on the household consumption per person in 2005. A solid result. That 38% rise in what people could spend represented the 8th fastest jump in Europe and the 15th largest increase nominally.

So how did people spend their newfound wealth? Fortunately or unfortunately— depending on what business you are in— a good deal of the increase in income was captured by spending on the basic essentials (food and housing). People spent 42.5% of their spending money (5% more than the EU average) to shelter and feed themselves. The Czech Republic ranks in the bottom half of the EU for both, but if one wants to finger a main culprit, housing takes a bigger chunk of consumption. Do not berate the realtors, though. The proportion spent on utilities, and particularly energy, is way out-of-line with the EU average: the Czech Republic has the third worst score in the EU. Some of that can be attributed to the globalized cost of energy eating a larger percentage of a lower base of consumption. That does not explain how 10 EU countries had lower consumption of energy in 2014.

