4 June 2014

GDP growth in the Q1 2014 higher than indicated by preliminary data

## GDP formation and use – the first quarter of 2014

The gross domestic product in the first quarter increased by 2.5%, year-on-year (y-o-y), i.e. by half percentage point more than expected by the preliminary estimate.

According to the refined estimate, the **gross domestic product (GDP)** adjusted for price effects and seasonally adjusted/[[1]](#footnote-1)\* **increased by 2.5%, y-o-y, in the Q1 2014; in the quarter-on-quarter (q-o-q) comparison it was by 0.4%.**

The preliminary estimate released on 15 May 2014 expected only 2% y-o-y growth. The correction by half percentage point resulted from an increase of indirect tax revenue and refinement of the gross value added estimation based on administrative data for enterprises not included in short-term statistical surveys.

The economy of the CR increased in the Q1 2014, y-o-y, the most for the last three years; by the amount of its gross domestic product it thus remained only 0.3% under the level of the Q3 2011, after which it gradually slipped repeatedly back to the recession. In the current quarter it benefited from increasing of both foreign and domestic demand as well as from a very low comparison base, because the Q1 2013 was the weakest for the last four years as for economic performance.

**Demand components**

The **final consumption expenditure** increased in total by 1.4%, y-o-y. General government institutions spent by 1.4% more than a year before; in households, final consumption expenditure increased by 1.5% at lower interest in durable goods and food, while expenditure increased for housing, services, footwear, and clothing. The final consumption expenditure increased in the Q1 2014 also when compared to the Q4 2013 – by 1.3% in total (by 1.2% in households and by 1.8% in general government).

The total **gross capital formation** increased by 2.5%, y-o-y, when drop of production and goods inventories was more than compensated by growth of fixed capital formation by 5.2%. Increased investments were directed to transport equipment, machinery equipment, and buildings and structures except for dwellings. Quarter-on-quarter, the fixed capital formation increased by 1.2%.

The overall growth of the economy was significantly contributed to by the **external trade**; exports and imports of goods were much higher y-o-y (+10.5% both) as well as q-o-q (+4.9%). The positive balance of trade in goods and services at current prices increased compared to the Q1 2013 by 46.6% and compared to the Q4 2013 by 23.4%.

**Structure of the supply**

The total **gross value added (GVA)** increased both year-on-year (+2.2%) and quarter-on-quarter (+0.6%). Especially manufacturing and within that mainly manufacture of transport equipment contributed the most to the overall growth. Also construction was successful, which benefited from favourable weather conditions, as well as agriculture, trade, and restaurants and many industries of services, mainly real estate activities.

**Taxes on products** (especially the value added tax and excise taxes) increased by 4.9%, y-o-y; however, in the quarter-on-quarter comparison, they dropped by 1.4% with regards to irregular development of collection of excise taxes on tobacco products. It was the reason why the GDP grew more slowly, q-o-q, compared to the GVA development.

**Employment**

In the Czech Republic, in terms of national accounts, 5 145 thousand persons were employed on average; the total employment increased by 0.5% both in the y-o-y as well as q-o-q comparison.

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Used data sources updated as at: 2 June 2014

Related CZSO web page: www.czso.cz/csu/csu.nsf/engkalendar/aktual-hdp

Next Release will be published on: 1 July 2014 (Quarterly national accounts for the first quarter of 2014)

1. *\*/ Unless otherwise stated, all data presented in this news release are adjusted for price, seasonal, and calendar effects.* [↑](#footnote-ref-1)