2 June 2020

Czech economy decreased by 3.3%, q-o-q

## GDP resources and uses – the first quarter of 2020

According to the refined estimate, the gross domestic product decreased by 3.3%, q-o-q, in the Q1 2020 and by 2.0%, y-o-y. The negative GDP development was caused by lower capital formation and by a decrease in external demand.

The refined estimate confirmed the deepest year-on-year decrease of the Czech economy since the beginning of 2010. The **gross domestic product** (GDP) adjusted for price effects and seasonally adjusted[[1]](#footnote-1) **was by 3.3% lower, quarter-on-quarter (q-o-q). In the year-on-year (y-o-y) comparison, the GDP decreased by 2.0%.**

The **gross value added** (GVA) **decreased by 2.5%, q-o-q.** The GVA in manufacturing decreased by 2.9%; in a group of economic activities of trade, transportation, and accommodation and food service activities it decreased by 5.4%. An increase of the GVA occurred in construction, namely by 0.7%. In the **year-on-year** comparison, **the GVA decreased by 1.3%**. The GVA formation decrease was influenced the most by the development in manufacturing (drop by 3.4%) and in the group of economic activities of trade, transportation, and accommodation and food service activities (drop by 4.9%). On the contrary, a positive contribution came mainly from construction with the GVA growth by 2.5%, information and communication (increase by 3.8%), and a group of economic activities of public administration, education, and human health and social work activities (growth by 1.5%).

**On the demand side**, the y-o-y decrease of GDP in the Q1 was influenced by lower capital formation and by external demand. The y-o-y drop of GDP by 2.0% was negatively contributed to by investment expenditure (-1.4 p. p. [[2]](#footnote-2)) and by external demand (-0.5 p. p.). A positive contribution came from the increasing general government expenditure (1.4 p. p.).

**Final consumption expenditure** increased by 0.2%, q-o-q, and by 2.1%, y-o-y. Of that, consumption expenditure of **households** decreased by 2.0% in reals terms compared to the Q4 2019 and remained unchanged in comparison to the corresponding quarter of the previous year. Especially consumption of durable and semi-durable goods slackened. **Final consumption expenditure of general government** was 5.2% up, q-o-q, and 7.1% up, y-o-y.

**Gross fixed capital formation** (GFCF) dropped by 9.7%, q-o-q. In the y-o-y comparison it decreased by 5.5%. As for the type of assets, only investments in dwellings strengthened; a significant fall was recorded by investments in machinery and transport equipment.

The **international trade balance** at current prices decreased by CZK 2.9 bn, y-o-y, in the Q1 2020 to CZK 79.2 bn. Exports of goods and services decreased by 2.6%, q-o-q; in the y‑o-y comparison, it decreased by 2.4%. The year-on-year decrease of exports was influenced mainly by trade in electronic and optical products, machinery and equipment, and transport equipment. Imports of goods and services dropped by 3.5%, q-o-q; in the y-o-y comparison it decreased by 2.1%. The following contributed significantly to the y-o-y development of imports: decrease in import of crude oil and natural gas, basic metals, machinery and equipment, and sub‑deliveries for the automotive industry.

As for the price development in the Q1 2020, the total GDP deflator reached 3.6%, y-o-y.

The volume of labour costs[[3]](#footnote-3) increased by 3.9%, y-o-y, in the Q1 2020.

In the Czech Republic, in the Q1 2020, 5 439 thousand persons were employed[[4]](#footnote-4) in average. The **total employment** **remained unchanged,** **q-o-q; in the y-o-y comparison it decreased by 0.5%.** In total, by 4.7% less hours were worked both in the q-o-q and in the y-o-y comparison.

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Time series: <https://www.czso.cz/csu/czso/hdp_ts>

The News Release web page: <https://www.czso.cz/csu/czso/quarterly-national-accounts-gdp-resources-and-uses-and-gdp-preliminary-estimate>

*Next Release will be published on: 31 July 2020 (GDP preliminary estimate for the second quarter of 2020)*

1. *Unless otherwise stated, all data presented in this news release are adjusted for price, seasonal, and calendar effects.*  [↑](#footnote-ref-1)
2. *Contributions to the GDP growth (imports for final use excluded).* [↑](#footnote-ref-2)
3. *At current prices, not seasonally adjusted.* [↑](#footnote-ref-3)
4. *In terms of national accounts.*  [↑](#footnote-ref-4)