27 February 2015

Economic Recovery Continued

GDP resources and uses - Q4 2014

The gross domestic product grew by 2.0%, year-on-year (y-o-y) in 2014, thus preliminary estimate was confirmed. The gross domestic product in Q4 2014 increased by 1.5%, y‑o‑y, and by 0.4%, quarter-on-quarter (q-o-q). The growth of the gross value added accelerated at the end of 2014 and reached 2.9%, y-o-y and 1.1%, q-o-q.

The **gross domestic product** **(GDP) for 2014** adjusted for price effects[[1]](#footnote-1) was by **2.0% higher y-o-y** according to the refined estimate. The growth was namely contributed by foreign demand (1.3 percentage point (p.p.)), supported by a growth of gross capital formation (0.3 p.p.), and by household and government final consumption expenditure at identical value (0.2 p.p.). In **Q4 2014** the GDP growth attained **1.5%, y-o-y** and **0.4%, q-o-q**.

**Gross domestic product development in %** (adjusted for price, seasonal, and calendar effects)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Year 2014 |
| Compared to the same quarter of 2013 | + 2.3 | + 2.1 | + 2.2 | + 1.5 | + 2.0 |
| Compared to the previous quarter | + 0.3 | + 0.3 | + 0.4 | + 0.4 | x |

The quarter-on-quarter GDP development and, especially, the year-on-year one were, the same way as in 2013, substantially affected by an uneven collection of excise tax on tobacco products. The pre-stocking of tobacco products at the end of 2013, which was not repeated in 2014, caused a significantly lower collection of excise tax in 2014. This had essentially adverse effects on the year-on-year growth of the GDP in Q4 2014, mainly.

The economy performance measured as the **gross value added (GVA)** was growing over the whole year 2014. Compared to 2013, the GVA in 2014 **increased by 2.6%**. The GVA growth recovered in 2013, got stabilised in 2014, and even accelerated at the end of 2014. The GVA in **Q4 2014** grew **by 1.1%, q-o-q,** and **by 2.9%, y-o-y**.

**Gross value added development in %** (adjusted for price, seasonal, and calendar effects)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Year 2014 |
| Compared to the same quarter of 2013 | + 2.2 | + 2.4 | + 2.7 | + 2.9 | + 2.6 |
| Compared to the previous quarter | + 0.7 | + 0.5 | + 0.5 | + 1.1 | x |

**On the supply side** the economic growth in the **Q4 2014** was driven by manufacturing, namely by manufacture of motor vehicles, trailers and semi-trailers and manufacture of machinery and equipment, manufacture of basic metals and structural metal product, and manufacture of rubber and plastic products in the same way as for the whole year 2014. In the services activities the significantly growing segments were transportation and storage, wholesale and retail trade; repair of motor vehicles and motorcycles, real estate activities, and public administration and defence; compulsory social security. Conversely, construction, agriculture, forestry and fishing, and services to enterprises were slightly declining in Q4 2014.

**On the demand side** the economic growth in the **Q4 2014** continued to be driven namely by foreign demand, as in the previous quarters, although balance of services was reducing this effect in a significant manner due to imports advancing ahead of exports. The economic growth was, moreover, supported by all crucial components of the domestic demand. **Final consumption of households** in Q4 2014 increased by 2.0%, y-o-y, and by 1.2%, q-o-q, which was the highest q-o-q increase since the beginning of 2010. Investment activities retained their dynamics from the previous quarters; besides the business sector the growth was supported by the general government sector as well. The **gross fixed capital formation** in Q4 2014 increased by 4.4%, y-o-y, and by 1.2%, q-o-q.

**Structure of the demand in 2014**

**External trade** was the main drive of the growth on the demand side in 2014. The balance of goods and services at current prices reached CZK 292.6 billion. Exports grew by 8.8%, while imports increased by 9.6%. Development in external trade prices was greatly differentiated especially due to the crude oil price effect. Export prices grew by 4.0% and import prices increased by 2.4%.

**Final consumption expenditure** increased in total by 1.7%, y-o-y, while developments in all major components were relatively even. Households spent by 1.7% more compared to that in 2013. If adjusted for price changes in between 2013 and 2014 households spent year-on-year more for almost all components of consumption, especially for furniture and furnishings, transport and transport means, recreational activities, catering, accommodation, clothing, and food. General government expenditure grew by 1.6% compared to that in 2013.

The **gross capital formation** was by 3.7% higher y-o-y in 2014. The fixed capital formation was by 4.7% higher than that in 2013, mainly due to construction investments and investments into machinery. Stock of inventories (unadjusted for seasonal effects) declined for the whole year 2014, namely as a result of negative change in inventories in goods and work-in-progress production in Q4 2014.

**Structure of the supply in 2014**

The **gross value added** in 2014 increased by 2.6% compared to that for the previous year. The recovered growth in manufacturing had the crucial effect on the development of the total value added. In the course of all quarters of 2014 the contribution of manufacturing to the GDP growth was over one half of it. Except for financial and insurance activities, all major activities of services brought some contribution to the growth, especially public administration and defence; compulsory social security and human health and social work activities, transportation and storage, wholesale and retail trade; repair of motor vehicles and motorcycles, and services for enterprises.

**Taxes on products** declined by 1.6%, y-o-y, while developments of respective taxes were rather differentiated. In 2014 the y-o-y higher collection of almost all types of taxes on products was higher yet not enough to compensate a drop in the collection of excise tax on tobacco products caused by a limited option to pre-stock, which was allowed in the previous years.

In 2014 in **current prices** the domestic economy generated the GDP of CZK 4 267 billion, i.e. by 4.4% more than in 2013. The price level as measured by the GDP deflator increased by 2.3%, y-o-y.

**Total employment,** in terms of national accounts, that includes employees and self-employed, increased on average by 0.4% to reach 5 105 thousand persons compared to the previous year. The number of hours worked increased by 1.0% in total.

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*Used data sources updated as at: 23 February 2015*

*Related CZSO web page:* [*www.czso.cz/csu/csu.nsf/engkalendar/aktual-hdp*](http://www.czso.cz/csu/csu.nsf/engkalendar/aktual-hdp)

*Next News Release will be published on: 30 March 2015 (Quarterly National Accounts for the 4th Quarter of 2014)*

1. *Unless otherwise stated, all data presented in this News Release are adjusted for price, seasonal, and calendar effects (the number of working days in the whole year 2014 was identical with that in the whole year 2013).* [↑](#footnote-ref-1)