29 May 2015

Faster growth of Czech economy confirmed

## GDP formation and use – the first quarter of 2015

The gross domestic product in the first quarter increased by 4.2%, year-on-year (y-o-y), i.e. by 0.3 percentage point more than expected in the preliminary estimate.

The refined estimate confirmed that the growth of the economy of the Czech Republic in the beginning of 2015 markedly accelerated. The **gross domestic product** (GDP) adjusted for price effects and seasonally adjusted/[[1]](#footnote-1)\* **increased by 4.2%, y-o-y, in the Q1 2015.** Compared to the **Q4 2014**, the GDP increased at constant prices by **3.1%**. This considerable q‑o-q GDP growth was influenced by a high GVA increase and imbalanced collection of the excise tax on tobacco products, which influenced the comparison base in 2014.

The **gross value added** (GVA)increased by **3.8%**, **y-o-y**, and by **1.6%, q-o-q**. The favourable economic development was shown throughout the entire Czech economy and can be observed in most of the industries. Manufacturing increased by 6.8%, y-o-y, and by 3.7% when compared to the Q4 2014. The y-o-y growth in construction was 2.6%. Also most of the branches in services grew in the y-o-y comparison. For example, trade, transport, and accommodation increased by 3.1%, information and communication activities by 3.4%, and public administration and defence, education, and health and social care by 2.4%.

On the **demand side**, the GDP growth was caused by both domestic and foreign factors. The trend of strengthening of the domestic demand that started in 2014 continued also in the Q1 2015 and markedly overcame the influence of the foreign demand. Besides an increasing household consumption, what also contributed substantially to the GDP growth were investment activities supported by formation of inventories related to production activities. External trade contribution has relatively decreased; however, it was still positive.

**Final consumption expenditure** increased by 2.6%, y-o-y. **Final consumption expenditure of households** increased by 3.0%, y-o-y. The same as in the previous year, the most marked increase was among expenditure on durables, which was in the Q1 2015 accompanied also by higher growth of the other expenditure. Quarter-on-quarter, household expenditure increased by 0.9%. **Final consumption expenditure of general government** increased by 1.5%, y-o-y; however, in the q-o-q comparison it dropped by 3.9%.

The **capital formation** increased by 11.7%, y-o-y, and it was the most important growth factor of the demand. **Fixed capital formation** was 3.2% up, y-o-y, and 0.2% up, q-o-q. The y-o-y growth of fixed capital was contributed to mainly by investments to transport equipment, facilities, and also to buildings and structures. **Change in inventories** (non-adjusted for seasonal effects) developed in the Q1 2015 in a different way than in the corresponding period of 2014 when inventories significantly dropped. In the Q1 2015, inventories of work in progress markedly increased; inventories of materials remained almost unchanged.

**External trade balance** at current prices was stable in the Q1 2015, y-o-y; external demand continued to contribute to the GDP growth. Exports grew by 7.7% mainly due to transport equipment and electronic and optical products. Increase of imports by 9% was markedly contributed to by machinery and equipment as well as sub-deliveries for the automotive industry and manufacture of electronic and optical products.

Faster economic growth was positively reflected also in the labour market. In the Q1 2015, in terms of national accounts, 5 158 thousand persons were employed on average in the Czech Republic, which was a 1.1% growth, y-o-y, and 0.7%, q-o-q.

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Next news release on quarterly national accounts for the first quarter of 2015 will newly focus mainly on **selected indicators of quarterly sector accounts**, which add a greater detail to the view on the national economy development. Thereby, long-term requests of users will be met.

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Related CZSO 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: 30 June 2015

(Quarterly National Accounts for the first quarter of 2015)

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