2 December 2016

Economy grew thanks to domestic demand

## GDP resources and uses – the third quarter of 2016

According to a refined estimate, the gross domestic product in the third quarter increased by 0.2%, quarter-on-quarter, and by 1.9%, year-on-year. More rapidly growing household consumption supported by q-o-q investment growth were the main growth factors of the Czech economy.

The refined GDP estimate confirmed that the Czech economy growth continued in the Q3 2016, albeit with a slower pace than in the previous quarters. The **gross domestic product** (GDP) adjusted for price effects and seasonally adjusted[[1]](#footnote-1) **increased by 0.2%, quarter-on-quarter (q‑o-q)**. **In the year-on-year comparison (y-o-y), the GDP increased by 1.9%.**

The **gross value added** (GVA) **increased by 0.1%,** **q-o-q, and by 1.6%, y-o-y.** The q‑o‑q growth of the economy was contributed to mainly by manufacturing, most of the economic activities of services, and for the first time since the year beginning also construction. Manufacturing was 0.9% up, q-o-q, and 3.9% up, y-o-y. Performance of the automotive industry was increasing, while chemical industry was not well-performing. The GVA in construction increased by 0.6%, q-o-q; however, due to a high comparison base it was by 5.9% lower, y-o-y.

On the **demand side**, it was the faster-growing household consumption, which was in the Q3 the key factor of both the q-o-q and y-o-y GDP growth. The q-o-q GDP growth (+0.2%) was contributed to by the final consumption expenditure of households (+0.5 p.p.)[[2]](#footnote-2) and the growing investment activity (+0.4 p.p.). What on the other hand negatively influenced the GDP growth was foreign demand (-0.6 p.p.).

**Final consumption expenditure of households** reflected positive expectations in the economy when growing by 0.9%, q-o-q, and by 2.8%, y-o-y. Households were spending more for goods and services, e.g. for cars, furniture, household equipment, and clothes. **Final consumption expenditure of general government** decreased by 0.4%, q-o-q, and in the y-o-y comparison it was by 1.5% higher.

**Investment activity** grew, q-o-q; it was supported mainly by investments to machinery and transport equipment, machinery and equipment, but also to dwellings and other buildings and structures. In the y-o-y comparison, investments in the Q3 were lower, especially due to a higher comparison base in 2015. **Fixed capital formation** was by 2.5% higher, q-o-q, and in the y-o-y comparison it dropped by 2.3%.

Slowdown in industry was markedly reflected in the external trade. While in the Q2 the external trade was a positive factor of the q-o-q growth of the Czech economy, in the Q3 it had a negative effect. **External trade balance** at current prices (CZK 84.1 bn) was in the Q3 by CZK 4.1 bn lower, q-o-q, and in the y-o-y comparison it was by CZK 13.2 bn higher.

**Total employment**[[3]](#footnote-3) remained unchanged in the quarter-on-quarter comparison; it was by 1.7% up, y-o-y. The development on the labour market thus copied the development of the Czech economy performance.

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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: 14 February 2017

*(GDP preliminary estimate for the fourth quarter of 2016)*

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 are excluding imports for final use, unless otherwise stated.*  [↑](#footnote-ref-2)
3. *In terms of national accounts.*  [↑](#footnote-ref-3)