2 September 2016

Economic growth in the Q2 driven by foreign demand

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

According to a refined estimate, the gross domestic product in the second quarter increased by 0.9%, quarter-on-quarter (q-o-q), and by 2.6%, year-on-year (y-o-y). Main growth factors of the Czech economy were strong foreign demand and stable household consumption.

The refined estimate confirmed that the Czech economy growth continued in the Q2 2016. The **gross domestic product** (GDP) adjusted for price effects and seasonally adjusted[[1]](#footnote-1) **increased by 0.9%, q-o-q**. **In the year-on-year comparison, the GDP increased by 2.6%.**

The **gross value added** (GVA) **increased by 0.9%,** **q-o-q, and by 2.7%, y-o-y.** The favourable development of the economy continued in most of the economic activities of the Czech economy, except for construction. In manufacturing, which was supported mainly by a fast-growing automotive industry, the GVA increased by 1.3%, q-o-q, and by 4.8%, y-o-y. On the contrary, in construction, especially due to y-o-y lower investment subsidies, the GVA dropped by 5.5%. Other economic activities of services continued to grow. For example, in trade, transport, and accommodation the GVA increased by 2.5%, y-o-y, in real estate services by 2.1%, and in professional, scientific and technical activities by 3.4%.

On the **demand side**, it was foreign demand that was a key factor for the GDP growth in the Q2, which was supported by a stable household consumption. The y-o-y GDP growth (+2.6%) was contributed to by external trade (by 2.5 p.p.) and final consumption expenditure of households (by 0.8 p.p.).[[2]](#footnote-2) What on the other hand negatively influenced the GDP growth was a significant decrease of investment activity related mainly to the drop of construction investments (in other buildings and structures).

**Final consumption expenditure of households** increased by 2.2%, y-o-y; in the q-o-q comparison it was 0.1% up. Similarly as in the previous quarters, expenditure grew in all basic categories of household consumption. **Final consumption expenditure of general government** increased by 2.5%, y-o-y; in the q-o-q comparison it was by 0.8%.

Development of investment activity was to a large extent influenced by a decline of investments in other buildings and structures or rather by a high comparison base in the corresponding period of the previous year. **Fixed capital formation** was by 4.4% lower, y-o-y; in the q-o-q comparison it decreased by 4.1%. Growing **inventories** were related mainly to production activities, i.e. to inventories of materials and work in progress.

As for external trade, the Czech economy was very successful in the Q2 2016. **External trade balance** at current prices (CZK 94.2 bn) was in the Q2 by CZK 34.2 bn higher, y-o-y. The record-breaking external trade balance was contributed to by both the trade in goods as well as in services. In both cases, exports growth markedly prevailed over imports growth. **Exports**, which increased by 5.7%, y-o-y, at constant prices, was driven as for goods especially by trade in transport equipment and as for services e.g. by land transport and information and communication. Growth of **imports** by 3.1% was significantly contributed to by sub-deliveries for the automotive industry and manufacture of electrical equipment.

On the **labour market**, the economic growth was reflected positively also in the Q2 in the employment growth[[3]](#footnote-3). Compared to the corresponding period of the previous year, the employment was by 1.6% up and compared to the Q1 2016 it increased by 0.3%.

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Used data sources updated as at: 26 August 2016

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: 15 November 2016

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

1. *Unless otherwise stated, all data presented in this news release are adjusted for price, seasonal, and calendar effects. Compared to the Q2 2015 as well as to the Q1 2016, there were 3 working days more in the Q2 2016.*  [↑](#footnote-ref-1)
2. *Contributions to the GDP growth are calculated with exclusion of imports for final use.* [↑](#footnote-ref-2)
3. *In terms of national accounts.*  [↑](#footnote-ref-3)