1 June 2018

Czech economy grew thanks to domestic demand

## GDP resources and uses – the first quarter of 2018

According to the refined estimate, the gross domestic product was by 0.4% higher in the Q1 compared to the previous quarter; in the year-on-year comparison it increased by 4.4%. Faster growing investment expenditure supported by continuing growth of household consumption was the main growth factor of the Czech economy.

According to the refined estimate, the Czech economy continued to grow in the Q1, although with a slower growth rate compared to the previous quarters. The **gross domestic product** (GDP) adjusted for price effects and seasonally adjusted[[1]](#footnote-1) **was by 0.4% higher, quarter-on-quarter (q-o-q). In the year-on-year (y-o-y) comparison, the real GDP growth rate was 4.4%.**

The **gross value added** (GVA) **increased by 0.7%, q-o-q, and by 4.5%, y-o-y**. Most economic activities of the national economy were successful. Manufacturing was the biggest contributor to the y-o-y GVA growth (1.6 p.p.). The GVA growth in manufacturing was 0.2%, q-o-q, and 6.1%, y-o-y. Especially the following were growing in manufacturing: manufacture of computer, electronic and optical products, manufacture of electrical equipment, and manufacture of machinery. In manufacture of transport equipment, which is, as usual, a key economic activity of the Czech economy, the GVA growth slackened. Both y-o-y and q-o-q drop of the GVA was recorded in mining and quarrying and in production of electricity. Construction was successful; the gross value added there increased (also thanks to favourable climatic conditions) by 7.1%, q-o-q (7.6%, y-o-y). The GVA grew also in most of economic activities of services, especially in information and communication and in financial and insurance activities.

**Taxes on products** increased by 3.4%, y-o-y; however, in the q-o-q comparison they decreased mainly due to lower collection of the excise duty on tobacco products. It was the reason why the q-o-q GDP growth was slower in comparison to the GVA development.

**On the demand side**, the y-o-y GDP growth in the Q1 was supported solely by the domestic demand. The following contributed to its growth: growing investment expenditure, continuing growth of household expenditure, and also increasing expenditure of the general government sector. The y-o-y growth of GDP (4.4%) was contributed to by investment expenditure (2.3 p.p.[[2]](#footnote-2)), household expenditure (1.4 p.p.), and expenditure of the general government (0.7 p.p.). On the contrary, imports growing more than exports contributed to decreasing in the GDP growth rate (-0.6 p.p.).

**Final consumption expenditure** increased by 4.0%, y-o-y, especially thanks to **households**, real consumption of which increased by 4.1% more than in the previous year and by 0.7% more than in the previous quarter. The household expenditure dynamics increased mainly as for durables and services.

**Final consumption expenditure of general government** increased by 3.6%, y-o-y, and by 1.4%, q-o-q.

**Investment activity** was growing in the Q1 both in enterprises and households as well as in the general government. As for types of assets, the y-o-y growth of investment activity was supported mainly by investments in buildings and structures including dwellings and in machinery. The gross fixed capital formation was by 10.5% higher, y-o-y.

The **external trade balance** at current prices decreased by CZK 11.2 bn, y-o-y, in the Q1, and the external trade thus stopped contributing to the GDP growth after more than four years. Imports of goods and services increased by 6.5%, y-o-y (1.4%, q-o-q); exports increased by 4.1%, y-o-y (0.5%, q-o-q).

As for the price development in the Q1, the total GDP deflator reached 2.6%, y-o-y.

The Czech economy growth continued to be accompanied by growth in employment. In the Czech Republic, in the Q1 2018, 5 385 thousand persons were employed[[3]](#footnote-3) in average. The **total employment** **increased** **by 0.5%,** **q-o-q; in the y-o-y comparison it increased by 1.7%.**

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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 August 2018 (GDP preliminary estimate for the second quarter of 2018)

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. *In terms of national accounts.*  [↑](#footnote-ref-3)