

## Czech economy falls by less than previously feared in 1Q

The preliminary GDP figure for the first quarter surprised on the upside. The economy fell just 0.3% QoQ, with pandemic restrictions being in place through the quarter. For the whole year, we expect GDP growth to be around 3%, although pandemic-related uncertainty remains elevated



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### 1Q21 GDP severely impacted by the pandemic

The effects of the pandemic mean that first quarter economic growth was less than had been generally expected at the turn of the year. With restrictions in place throughout the quarter, we assume that household consumption fell as well as investment. Export dynamics are likely to have slowed since the previous quarter, reflecting problems with semiconductor supply. More information will be available at the beginning of June, as the Czech Statistical Office does not publish details in its flash GDP release.

## Year-on-year decline eased due to base effect

Year-on-year, however, the downturn in economic growth slowed from -4.8% in 4Q20 to -2.1%. The year-on-year comparison incorporates the first Covid wave and restrictions in the second half of March 2020 - these were more severe than this year, with industry voluntarily shutting down production in March and April 2020.

**-0.3% QoQ** Czech GDP decline  
-2.1% YoY (SWDA)

Better than expected

## Better than consensus expectations

Reuters consensus assumed a quarter-on-quarter GDP decline of 1% and the latest MinFin forecast assumed -0.9% QoQ (-2.7% YoY). The winter CNB forecast pencilled in -0.2% QoQ (-2.4% YoY), but this older forecast did not assume more adverse pandemic developments in the first quarter. Despite economic restrictions due to the pandemic, the performance of the domestic economy has exceeded the expectations of recent quarters.

## For the whole year, GDP expected to grow by 3%

For the whole year, we expect GDP growth to be around 3%, mainly due to the economic recovery in the second half of the year and the low base effect. Still, uncertainty remains high due to the pandemic situation.