

# Czech Republic: GDP growth accelerated by 5.2% YoY at the end of last year

The revised GDP estimate of 5.2% YoY in 4Q17 confirmed solid growth of the Czech economy. Favourable economic activity was broad-based, driven by renewed investments, solid consumption of households and foreign demand



Source: Shutterstock

## Broadly-based growth

Revised Czech GDP for 4Q17 confirmed a solid figure of 5.2% YoY (0.5% QoQ). Looking at the details, the growth in the Czech economy was broad-based, driven by resumed investment activity, household consumption and foreign demand. For the whole year 2017, the domestic

economy accelerated by 4.5%, the fastest GDP growth over the last ten years, if we neglect the exceptional 2015 that was influenced by intense tapping of EU funds.

**5.2% YoY** GDP growth in 4Q17  
4.5% YoY for the whole 2017

## Investments accelerated strongly at the end of 2017

The GDP structure confirms that the highest contribution to GDP growth in the last quarter of 2017 had renewed investment activity. It accelerated by almost 8% year-on-year, 11.4% including inventories, and contributed to the GDP YoY growth by 3.1ppt. Positively, investment growth was relatively evenly distributed. Investment in ICT and machinery accelerated by 11% YoY, investment in transport vehicles maintained a decent growth rate of over 6%, and also investments in infrastructure accelerated by 7.5%. On the contrary, growth for dwellings slowed to just to 2%, which was mainly driven by a high base, however, as QoQ growth reached solid 6%.

## Households consumption remaining strong

Household consumption also developed favourably and grew by 4.3% YoY, which is the same dynamics as in the previous quarter. This represents a contribution by 2.0ppt to the total YoY growth. Dynamics was pushed mainly by non-durable goods and services, while durable-goods consumption is decelerating. This is most likely driven by weaker sales of cars, which has been gradually weakening this year. Still, consumer sentiment remains strong.

## GDP structure (%)

	4Q 17		CNB f'cast		3Q 17		2017		2016		2015	
	yoy	qoq	4Q17	yoy	yoy	qoq	yoy	yoy	yoy	yoy	yoy	
<b>GDP</b>	<b>5.2</b>	<b>0.5</b>	<b>5.4</b>	<b>5.1</b>	<b>0.6</b>	<b>4.5</b>	<b>2.5</b>	<b>5.4</b>				
- household consumption	4.3	0.6	4.8	4.3	0.8	4.0	3.6	3.8				
- government consumption	1.1	0.6	1.4	1.3	0.1	1.6	2.0	1.9				
- investments & inventories	11.4	0.9	11.0	7.8	3.3	5.0	-2.4	13.2				
- fixed investments	7.9	0.5	8.5	7.8	0.2	5.8	-2.4	10.4				
- exports	7.6	1.8	7.8	7.4	-1.2	6.9	4.3	6.2				
- imports	8.3	2.2	8.6	7.0	-0.5	6.2	3.2	7.0				

Source: CZSO, CNB, ING Bank

## Manufacturing segment still strong

In terms of resources of GDP, growth has traditionally been significantly dragged by the manufacturing industry, which has maintained strong dynamics of 7.4%. However, positive growth also continued in most service sectors, and slight growth around 2% continued also in the construction sector.

## Solid developments this year, though slightly weaker

All in all, the growth of the domestic economy is broad-based, driven both by domestic and foreign demand. Increased import intensity of investments and higher domestic demand should increase imports this year, which will reduce the contribution of net foreign exports to GDP growth. That's why GDP growth should moderate slightly this year and move closer to 3.5%. But the intensity of drawing on EU investment funds is a source of uncertainty for GDP growth in both directions. Still, despite the slightly weaker GDP growth expected this year, the domestic economy's development should continue to be favourable and household consumption might further accelerate compared to 2017 as a result of the tight labour market and accelerating wages.

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