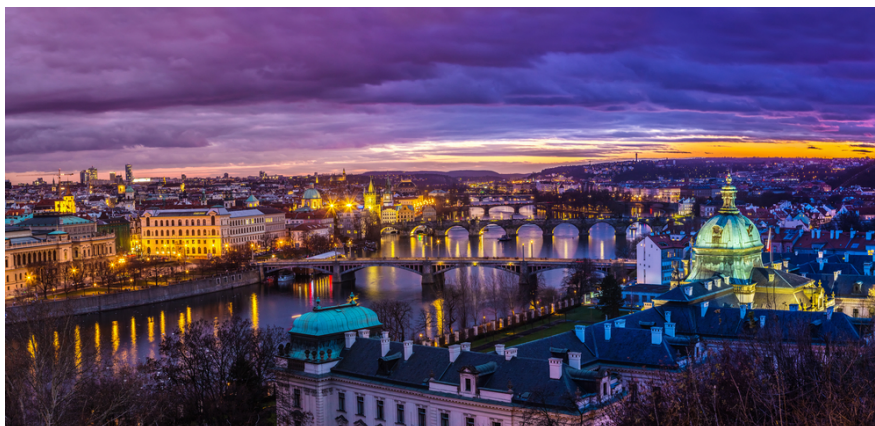


Czech Republic: GDP growth in 4Q17 at 5.1% YoY

The first estimate of the GDP growth in 4Q17 is 5.1% (0.5% QoQ). Though slightly below market estimates, it confirms the good shape of the Czech economy. In 2017, the Czech economy accelerated by 4.5%



Source: Shutterstock

The preliminary GDP estimate does not specify any details about the GDP structure. The Czech Statistical Office (CZSO) just stated that: "The GDP growth in 4Q was contributed to by all demand components equally". For more information we need to wait till the beginning of the March, when more details will be released.

5.1% YoY

GDP growth in 4Q17

4.5% for the whole 2017

However, the CZSO comments confirms expectations that economic growth is broad-based, supported by household consumption, renewed investment activity and foreign demand. The economy accelerated further, slightly above 5% YoY in 4Q compared with the previous quarter and kept the same pace in QoQ terms at 0.5%. The slightly lower-than-expected figure might be driven by weaker investments, and these are currently more volatile due to renewed investment activity

related to the tapping of the EU-funds.

Though GDP might be weaker this year, the favourable economic story continues

All in all, today's preliminary GDP estimate confirms that the economy continues to remain favourable and this development is about to continue. This is partly due to the favourable consumption of households driven by strong wage growth, but also by renewed investment growth. However, import-demanding investments and higher domestic demand will increase imports this year, which will most likely cause a negative contribution of net exports to YoY GDP growth. As such, GDP dynamics will decelerate this year towards 3.5%, but despite that, Czech economic conditions will remain favourable. Consumption of households will further accelerate given the tight labour market and stronger wage dynamics.