

Short Note

GDP – Q4 2013 second result

6.3.2014

Czech Republic: GDP shaped by FX intervention and higher taxes

The Czech economy grew by 1.9% quarter-on-quarter in Q4 while the flash estimate indicated "only" 1.6% qoq. The year-on-year growth was revised to 1.3% up from 0.8%. The GDP decline in 2013 reached 0.9%.

The result, however, unveils that the rosy figure was caused by one-off events. First was the anticipated price increase of imports due to FX intervention, second the anticipated increase of taxes on tobacco products.

The GDP would be rising even without the one-off factors but far more slowly. The high difference of the gross domestic product at 1.9% qoq and gross value added at 0.6% shows the extent of artificiality of the figure. Therefore it is very likely we will see an artificial GDP decline in the first quarter of this year.

Nevertheless, the important message is that the Czech economy continues to recover and the leading indicators suggest that the underlying recovery has been continuing also in the first quarter.

The market reacted quite strongly on the flash estimate and now might be somewhat disappointed from the structure. But overall the surprise should be rather small. EUR/CZK depreciated negligibly on the result and the bond yields were unchanged.

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