

Short Note

GDP – Q2 2013 flash estimate

3.9.2013

End of recession confirmed

The Czech economy grew in Q2 by 0.6% qoq according to the final estimate. In comparison to flash estimate, it is a downward revision by only 0.1 percentage point. So its confirmed that the Czech economy is no longer in a recession. Nevertheless, the economy declined by 1.3% on yoy basis.

The structure, however, was little bit disappointing. The consumption of households did not repeat its robust growth from Q1 when it grew by 1.5% qoq as it declined by 0.4% qoq in Q2. However, on yoy basis, it grew by 0.5% mainly due to low basis last year. The government consumption also declined. Investment into fixed capital was also weak with decline by 1.5% qoq. Inventory investment contributed positively unlike in Q1. The main driver of qoq growth was the net export with export growing by 3.6% qoq and import by 2.5% qoq. The positive growth of export (it declined in Q1) is a result of recovery in the Eurozone, mainly in Germany.

The decomposition of yoy growth is as follows (imports for final use excluded):

-1,3% = -0,6 (households` consumption) +0,1 (government consumption) -1,7 (fixed investment) - 1,6 (inventories) +2,4 (net export)

The economic recovery is good news for the Czech National Bank which is now in a dilemma whether to or not to start outright FX interventions. We still think that CNB will not use outright FX interventions against CZK but we cannot exclude it.

We stick to our forecast of an annual decline of the Czech economy by 0.7% with economic growth starting from Q2.

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