

Short Note

GDP – Q1 2014 flash estimate

15.5.2014

Czech GDP – optical stagnation but decent growth in reality

The Czech economy stagnated in Q1 in quarter-on quarter terms according to flash estimate. Our estimation and market expectation was -0.2% qoq. Quarter-on-quarter stagnation optically does not look like as a good result but it indicates a strong underlying growth because the growth in Q4 2013 was boosted by one-off effects (front loading of the tobacco companies and immediate effect of FX intervention). The economy grew by 1.8% in two quarters (Q4 2013 and Q1 2014) which is decent growth.

The economy grew by 2.0% yoy in Q1. Our expectation was 2.3% yoy and market consensus 2.4%. Below-than-expected y-o-y growth indicates that there has been a revision in previous quarters. The main drivers of q-o-q growth were net exports, fixed investment, and final consumption. Inventories declined. Such a structure indicates a balance growth.

Today's result is just a flash estimate and revision is likely and can be large. We still forecast a growth of the economy by 2.3% this year and +2.4% next year.

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