

| Instant Reaction |

EcoAlert

GDP deceleration in 3Q17 was less pronounced than the market feared



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GDP data (SA, WDA) – 3Q17

	qoq	yoy
Third release:	to be released on 10 January 2018	
Second release:	to be released on 1 December 2018	
First release:	+0.5%	+5.0%
Original KB forecast:	+0.3%	+4.8%
Original market forecast:	+0.3%	+4.7%

Source: Bloomberg, CZSO, Economic & Strategy Research, Komerční banka

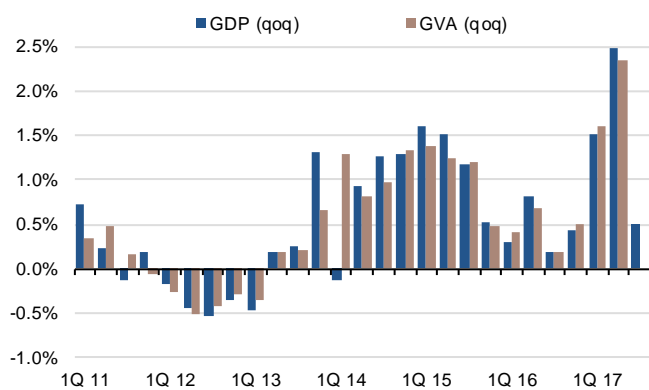
GDP in other selected countries

2Q17	QoQ	YoY
Czech Republic	+0.5%	+5.0%
Poland	+1.1%	+4.7%
Hungary	+0.8%	+3.6%
Slovakia	+0.8%	+3.3%
Germany	+0.8%	+2.8%

Source: Bloomberg, Economic & Strategy Research, Komerční banka

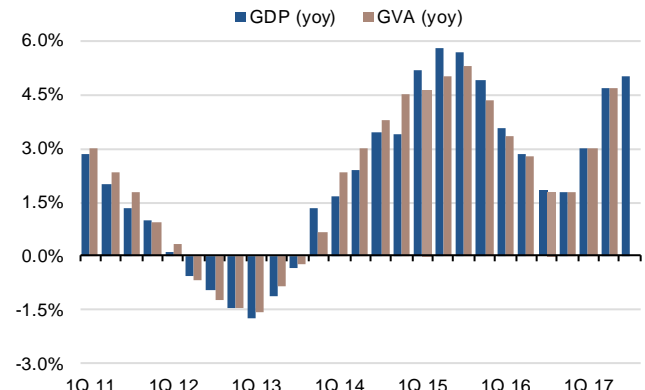
Czech GDP increased 0.5% qoq in 3Q17 according to the flash estimate of the Czech Statistical Office (CZSO). This represents a significant deceleration after the 2.5% recorded in 2Q. Yoy growth in the third quarter printed a strong 5%. The Czech Republic thus remains the high-flyer of the CEE region. According to the CZSO, the yoy dynamics were supported by all demand elements, while on the supply side industry and services backed growth. Employment recorded another increase of 0.8%. Businesses are struggling to find more labour force on the current tight labour market. The qoq slowdown is due to the summer holidays, in our view. The share of the automotive industry on overall production is increasing, and the whole supply chain is synchronising, thus company-wide holidays are becoming even more important. This effect cannot be fully captured by the calendar adjustment of the CZSO. Still, it is only related to seasonality, so we draw no conclusions from the slightly weaker figure.

GDP slowed down in qoq terms but ...



Source: CZSO, Economic & Strategy Research, Komerční banka

... accelerated in the yoy measure



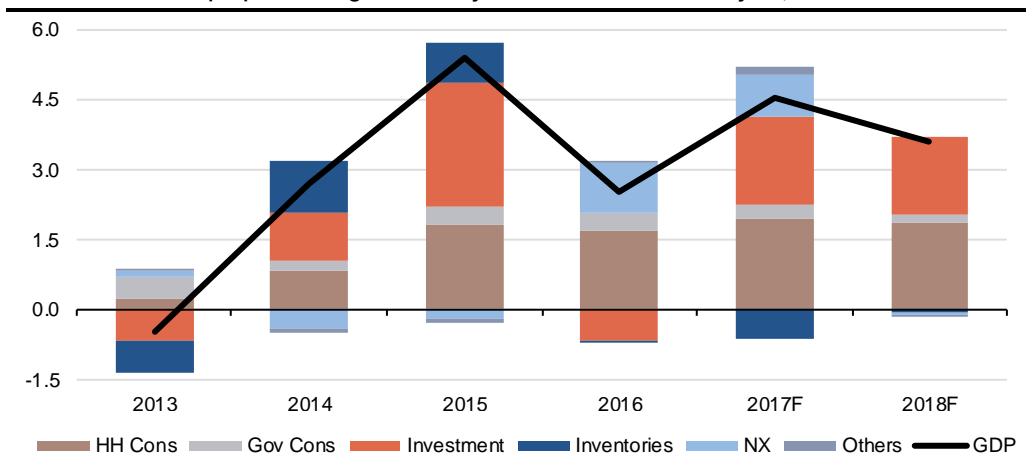
Source: CZSO, Economic & Strategy Research, Komerční banka

The monthly figures from the Czech economy showed that the economy has been gaining momentum once again. It benefits from faster global trade and improving domestic demand. We see investment growing in the Czech Republic. The second quarter showed strong capital formation in the private sector, while we expect that the public sector will soon

join in the investment rush. Public investment will be supported by a strong inflow of EU funds.

Today's figures have led us to increase the full-year growth estimate to 4.5%. Next year, the economy will decelerate slightly. Its growth should print a still sound 3.6%, which will be supported by the continuous growth of domestic consumption and strong investment activity.

Domestic demand propels GDP growth this year and will back it next year, as well



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

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