



| Instant Reaction |

# EcoAlert

## Domestic economy did not surf the strong global growth wave in 4Q



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### GDP data (SA, WDA) – 4Q17

	qoq	yoy
Third release:	3. 4. 2018	3. 4. 2018
Second release:	2. 3. 2018	2. 3. 2018
First release:	+0.5%	+5.1%
Original KB forecast:	+1.0%	+5.6%
Original market forecast:	+0.7%	+5.3%

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

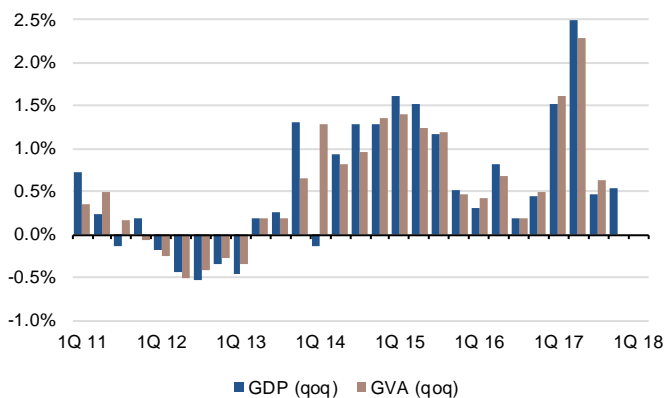
### GDP in other selected countries

4Q17	QoQ	YoY
Czech Republic	0,5 %	5,1 %
Poland	1,0 %	5,1 %
Hungary	1,3 %	4,4 %
Slovakia	0,8 %	3,5 %
Germany	0,6 %	2,9 %

Source: Bloomberg, Economic & Strategy Research, Komerční banka

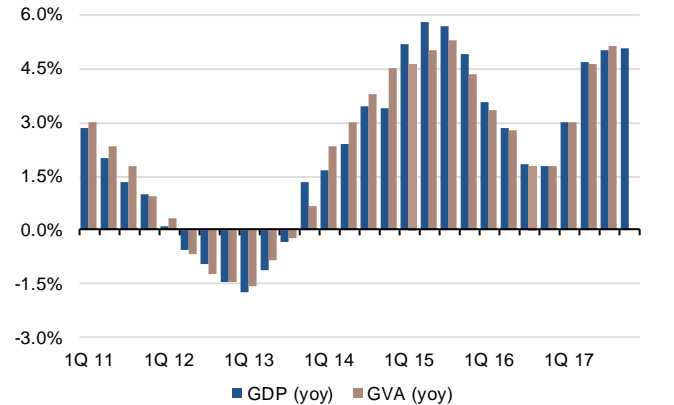
The flash estimate for Czech GDP growth in the last quarter of 2017 showed a relatively weaker performance of the domestic economy compared with its regional peers. The qoq GDP dynamics printed 0.5% while yoy growth recorded 5.1%. According to the CZSO's comments, the strong dynamics were driven by all demand components. That corroborates our estimates, but we expected a slightly stronger magnitude of demand. In a qoq comparison, Czech GDP did not even match the dynamics of the German economy. The lack of an available labour force probably played a role to some extent. Employment remained at the same level as in the preceding quarter while it increased 1.5% in yoy terms.

### Domestic economy printed mild qoq growth (% , qoq)



Source: CZSO, Economic & Strategy Research, Komerční banka

### In a yoy comparison, GDP growth accelerated

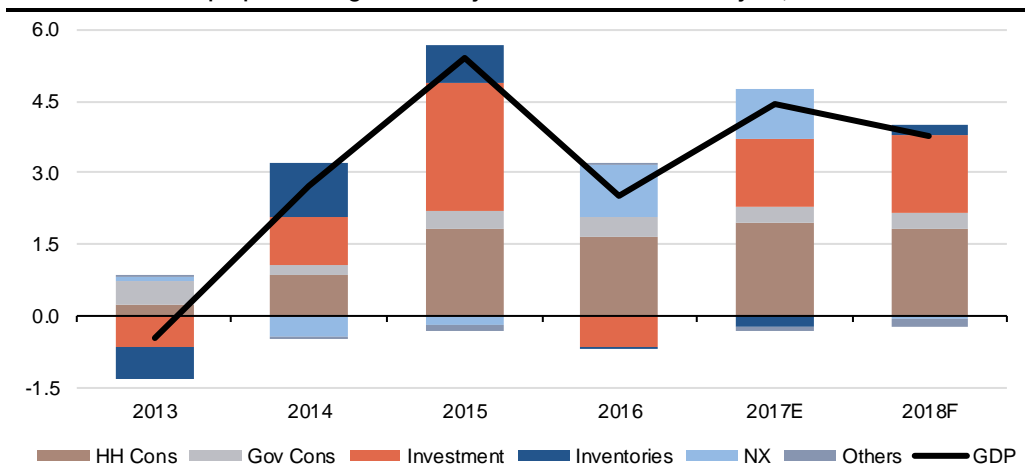


Source: CZSO, Economic & Strategy Research, Komerční banka

**For the whole of 2017, the economic performance of the Czech Republic improved 4.5%. That represents the second-highest dynamics of the past 10 years.** The second quarter presented the biggest surprise as it recorded a notable acceleration thanks to private investment. In contrast, the second half of the year disappointed. Private consumption recorded continuous growth throughout the whole of 2017 and served as the biggest contributor to economic dynamics. The Czech economy also benefited from global recovery. Despite solid import dynamics, the trade balance contributed positively to the GDP increase.

We expect similar developments in 2018. Private consumption will continue to benefit from the record-low unemployment and strong wage growth. Sound investment activity is set to continue, and the EU funds inflow is set to strengthen. However, investment and consumption are import-intensive, which will be reflected in the trade balance. We expect no contribution from external trade this year.

**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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