

Instant Reaction

# EcoAlert

## Czech economy decreased significantly in 1Q due to coronavirus pandemic



**Martin Gurtler**  
(420) 222 008 509  
martin\_gurtler@kb.cz

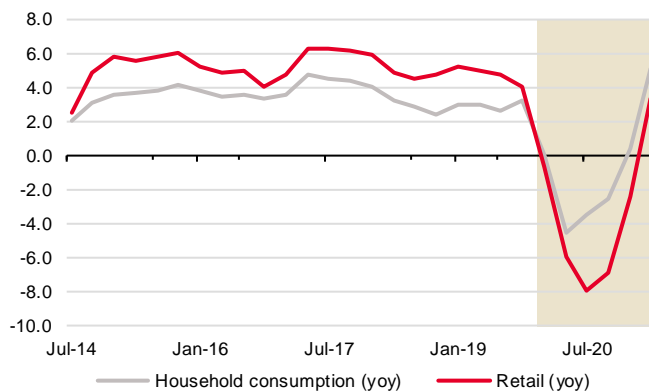
### GDP data (SA, WDA) – 1Q20

	qoq	yoy
Third release:	30. 6. 2020	30. 6. 2020
Second release:	2. 6. 2020	2. 6. 2020
First release:	-3.6 %	-2.2 %
Original KB forecast:	-7.6 %	-6.3 %
Original market forecast:	-3.4 %	-2.0 %

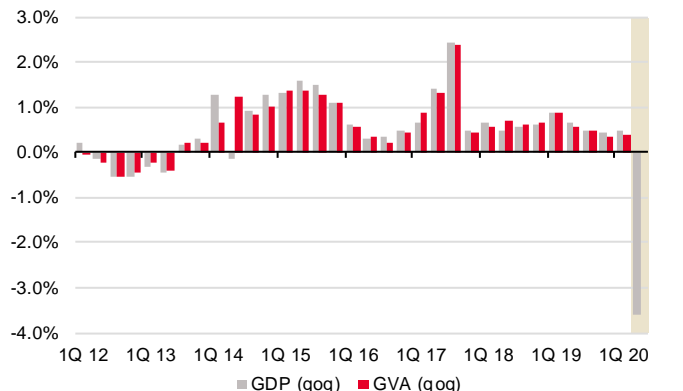
Source: CZSO, Bloomberg, Economic & Strategy Research, Komerční banka

**According to the advanced estimate, the Czech economy decreased 3.6% qoq and 2.2% yoy in the first quarter.** At the end of the previous year, it added 0.5% qoq and 2% yoy. **The main reason for the GDP decrease was the government measures applied in March, which have prevented the spread of the coronavirus.** Compared with our estimate of a 7.6% qoq decline in GDP, the actual impact of the pandemic on the Czech economy was probably less severe. On the other hand, the market expectation was correct.

Household consumption will be lower this year as a result of Czech GDP decreased significantly in 1Q worsened economic sentiment and higher unemployment



Source: CZSO, Economic & Strategy Research, Komerční banka



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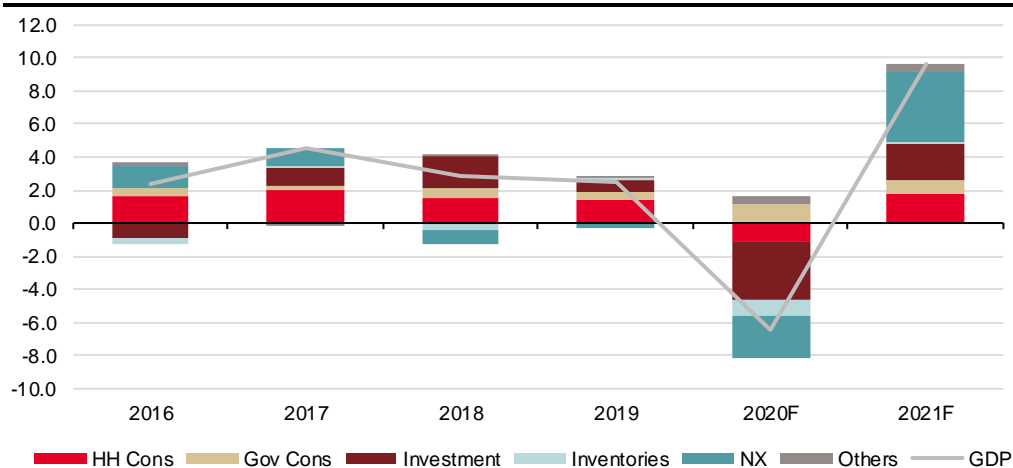
**This is, however, an advanced estimate that likely includes data uncertainty to a large extent.** The March lockdown of the Czech economy led into a shutdown of most services and retail. Production was also stopped in a part of the manufacturing industry. **It is therefore a question of whether the statistical office was able to collect all underlying data properly. It could happen that the CZSO will receive some data with a delay and then we could expect a significant refinement in the second release.** In our view, the actual Czech economic decline in 1Q could be more pronounced than shown by today's data. From this point of view, the CZSO's comments are interesting. It has said that the decrease in gross value added was mostly affected by the development in manufacturing and in the branches of trade, travel, hotels and restaurants. Nevertheless, other small services are not mentioned, although they

obviously belong to those most affected by the government measures. The data uncertainty is thus considerable here.

**The structure of GDP growth is not known at this moment. The statistical office only stated that negative annual growth was caused mainly by a decrease in foreign demand and investment.** Government expenditures offset this partly. All of this happened in the environment of a paralysed global economy with limited international trade and an uncertain economic outlook. **Household consumption was not mentioned in the CZSO comments, since the impacts of the pandemic were likely dampened by a frontloading of Czech households.** But more pronounced impacts can be expected in the second quarter.

**We currently observe a release of the most restrictive measures in the Czech economy and the economic rebound should therefore follow in the second half of this year. The rebound will, however, depend to a large extent on a recovery in foreign demand, because of the large Czech economic openness.** In relation to that, our forecast expects an annual decrease of the Czech economy by 6.5% in this year and recovery of growth at 9.7% in the next year.

Domestic economy to decrease significantly in this year and rebound in 2021



Source: CZSO, Economic & Strategy Research, Komerční banka

**KB ECONOMIC & STRATEGY RESEARCH**

**Chief Economist and Head of Research**



**Jan Vejmelek, Ph.D., CFA**  
(420) 222 008 568  
jan\_vejmelek@kb.cz

**Economists**



**Michal Brozka**  
(420) 222 008 569  
michal\_brozka@kb.cz



**Jana Steckerová**  
(420) 222 008 524  
jana\_steckerova@kb.cz



**Martin Gürtler**  
(420) 222 008 509  
martin\_gurtler@kb.cz



**Strategist**  
**František Táborský**  
(420) 222 008 598  
frantisek\_taborsky@kb.cz

**Equity Analyst**



**Bohumil Trampota**  
(420) 222 008 560  
bohumil\_trampota@kb.cz

**SG IN CENTRAL AND EASTERN EUROPE**

**Head of Research of Rosbank**



**Evgeny Koshelev**  
(7) 495 725 5637  
evgeny\_koshelev@rosbank.ru

**Chief Economist of BRD-GSG**

**Florian Libocor**  
(40) 213 016 869  
florian.libocor@brd.ro

**Economist BRD-GSG**



**Ioan Mincu**  
(40) 213 014 472  
george.mincu-radulescu@brd.ro



**Equity Analyst**  
**Laura Simion, CFA**  
(40) 213 014 370  
laura.simion@brd.ro



**Economist Rosbank**  
**Anna Zaigrina**  
(7) 495 662 1300  
anna.zaigrina@rosbank.ru

**SG GLOBAL ECONOMICS RESEARCH**

**Head of Global Economics**



**Klaus Baader**  
(852) 2166 4095  
klaus.baader@sgcib.com

**Euro area**



**Michel Martinez**  
(33) 1 4213 3421  
michel.martinez@sgcib.com



**Anatoli Annenkov**  
(44) 20 7762 4676  
anatoli.annenkov@sgcib.com



**Yvan Mamalet**  
(44) 20 7762 5665  
yvan.mamalet@sgcib.com



**United Kingdom**  
**Brian Hilliard**  
(44) 20 7676 7165  
brian.hilliard@sgcib.com

**North America**



**Stephen Gallagher**  
(212) 278 4496  
stephen.gallagher@sgcib.com



**Latin America**  
**Dev Ashish**  
(91) 80 2802 4381  
dev.ashish@socgen.com



**India**  
**Kunal Kumar Kundu**  
(91) 80 6716 8266  
kunal.kundu@sgcib.cz



**Korea**  
**Suktae Oh**  
(82) 2195 7430  
suktae.oh@sgcib.com

**China**



**Wei Yao**  
(33) 1 57 29 69 60  
wei.yao@sgcib.com



**Greater China**  
**Michelle Lam**  
(85) 2 21 66 57 21  
michelle.lam@sgcib.com



**Japan**  
**Takuji Aida**  
(81) 3-6777-8063  
takuji.aida@sgcib.com



**Arata Oto**  
(81) 3 6777 8064  
arata.oto@sgcib.com

**SG CROSS ASSET RESEARCH - FIXED INCOME & FOREX GROUPS**

**Global Head of Research**



**Brigitte Richard-Hidden**  
(33) 1 42 13 78 46  
brigitte.richard-hidden@sgcib.com

**Head of Fixed Income & Forex Strategy**



**Guy Stear**  
(33) 1 41 13 63 99  
guy.stear@sgcib.com

**Head of Rates Strategy**



**Adam Kurpiel**  
(33) 1 42 13 63 42  
adam.kurpiel@sgcib.com



**Head of Euro Area Rates Strategy**  
**Ciaran O'Hagan**  
(33) 1 42 13 58 60  
ciaran.ohagan@sgcib.com



**Covered Bonds & SSA**  
**Cristina Costa**  
(33) 1 58 98 51 71  
cristina.costa@sgcib.com



**Head of US Rates Strategy**  
**Subadra Rajappa**  
(1) 212 278 5241  
subadra.rajappa@sgcib.com



**Jorge Garayo**  
(44) 20 7676 7404  
jorge.garayo@sgcib.com



**Jean-David Cirotteau**  
(33) 1 42 13 72 52  
jean-david.cirotteau@sgcib.com



**Shakeeb Hulikatti**  
(91) 80 2802 4380  
shakeeb.hulikatti@sgcib.com



**Kevin Ferret**  
(44) 20 7676 7073  
kevin.ferret@sgcib.com



**Rohit Gaurav**  
(91) 8067318958  
rohit.gaurav@sgcib.com



**Michael Chang**  
(1) 212 278 5307  
michael.chang@sgcib.com

**Chief Global FX Strategy**



**Kit Juckes**  
(44) 20 7676 7972  
kit.juckes@sgcib.com



**FX Derivatives Strategy**  
**Olivier Korber**  
(33) 1 42 13 32 88  
olivier.korber@sgcib.com

**Head of Emerging Markets Strategy**



**Jason Daw**  
(65) 6326 7890  
jason.daw@sgcib.com



**Phoenix Kalen**  
(44) 20 7676 7305  
phoenix.kalen@sgcib.com



**Kiyong Seong**  
(852) 2166 4658  
kiyong.seong@sgcib.com



**Marek Drimal**  
(44) 20 7550 2395  
marek.drimal@sgcib.com

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