

Instant Reaction

# EcoAlert

## Household savings rate reaches record level



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### GDP data (SA, WDA) – 4Q20

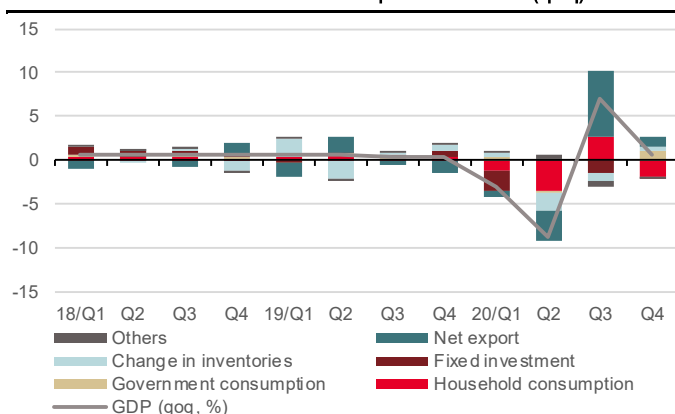
	qoq	yoy
Third release:	0.6%	-4.8%
Second release:	0.6%	-4.7%
First release:	0.3%	-5.0%
Original KB forecast:	0.3%	-5.0%
Original market forecast:	0.3%	-5.0%

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

**According to the CZSO's third GDP release, the Czech economy grew 0.6% qoq in 4Q20 and dropped 4.8% yoy.** Compared to the second estimate, it is thus a tenth deeper in a year-on-year comparison. Revisions in the structure were only minor. Government expenditures were revised upward while investments and inventories were revised slightly downward. For the whole of last year, the domestic economy fell 5.6%.

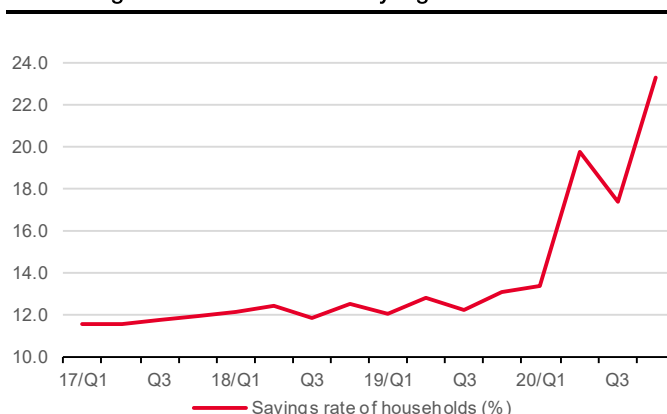
**Along with the latest estimate, data from sector accounts were also published.** The closure of stone shops and the associated decline in spending were reflected in a significant increase in the household savings rate. It reached a historically high level of 23.3%. Year-on-year, it was 9.2pp higher. Given that the shops were closed the entire first quarter and that the disposable income of most households increased due to the abolition of the super-gross wage, it is possible that the record result will be overcome in 1Q. However, not only the decline in expenditures but also the growth in revenues contributed to rising savings. In 4Q20, they increased 2.1% qoq in real terms.

### Investment and household consumption cut GDP (qoq)



Source: CZSO, Economic & Strategy Research, Komerční banka

### The savings rate is at the historically highest level



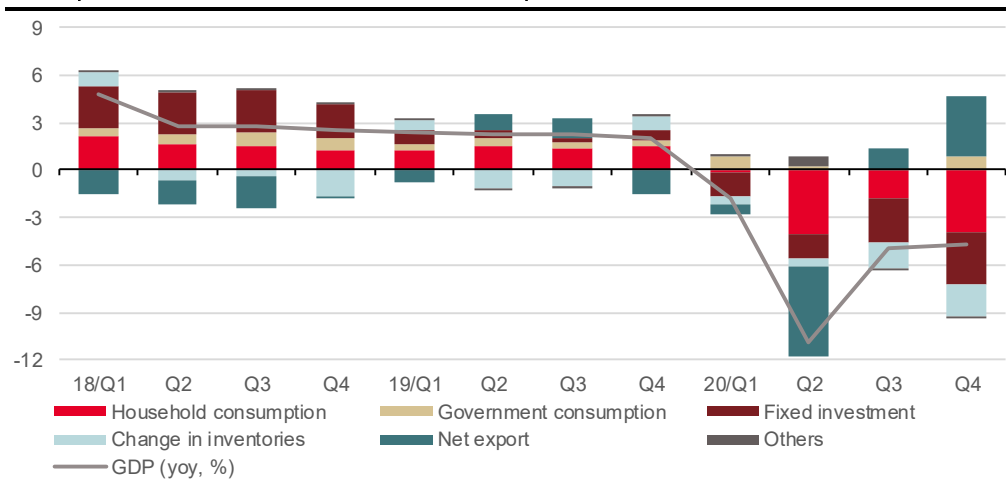
Source: CZSO, Economic & Strategy Research, Komerční banka

**Relatively good news came from non-financial corporations.** Their profit rate reached 45.2% in the final quarter of last year, which is only 0.4pp less than in the previous quarter, when the

economy was open. Compared to last year, the profit rate was 1.7pp higher. According to the Statistical Office, this development was influenced by the subsidies received. The data show that companies are already able to cope with the pandemic significantly better than in the spring of last year. At that time, their profit rate fell to 43.9%. However, the pandemic is still taking a toll on investment. In 4Q, investment rate decreased 0.7pp qoq to 26.1%, which means a year-on-year decrease of 4.8pp.

**As a result of ongoing pandemic measures, the economy is likely to decline in the first quarter of this year.** Although orders in industry are growing, companies have to deal with supply problems, and in some segments there is also a lack of labour force. Retailers suffer from the closure of stores, for which Internet sales have no chance to compensate. The restrictions are already long, which is also reflected in declining consumer confidence. So far, the vaccination rollout has started slowly, so even the entry into the second quarter does not look the rosier. We therefore expect a more significant economic recovery in the second half of this year. For the whole of 2021, we expect Czech GDP to grow 2.6% with risks on the downside in light of the latest development of the pandemic.

Net exports failed to offset the decline in consumption and investment



Source: CZSO, Economic & Strategy Research, Komerční banka

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