

## On GDP in Q1 of 2021

## In Q1 of 2021, a decline in economic activity can be observed

According to the Central Statistical Bureau (CSB), in Q1 of 2021, GDP was 1.3% lower than a year ago. With epidemiological constraints remaining, it was also anticipated that the economy would decline.

The rise in unemployment and the fall in income caused by the Covid-19 crisis have affected household consumption – in Q1 of 2021, it was 7.3% lower than a year ago.

In Q1 of 2021, exports of goods and services declined by 1%, compared to the corresponding period last year. At the beginning of 2021, similarly to the last year, development trends in exports of goods and services were disparate. In Q1 of 2021, exports of goods increased by 4% annually. The main exported goods were wood and wood products, as well as machinery and electrical equipment. Restrictions on tourism and transport, in turn, had a negative impact on exports of services, which, in Q1 of 2021, declined by 14.6%, compared to the corresponding period last year.

Although in 2020 investment volumes remained relatively stable under Covid-19 conditions, even increasing slightly, in Q1 of 2021, investment volumes decreased by 4.5%. It was mainly influenced by construction - in Q1 of 2021, investments in buildings and structures were 12.9% lower than a year ago, which can be attributed to the relatively unfavourable weather conditions, compared to the previous winter. At the same time, investment in machinery and equipment increased by 7.9%, whereas investment in intellectual property products rose by 5.5%.

The Covid-19 crisis has affected the economy for more than a year. Currently, in Q1 of 2021, no highly unanticipated sectoral trends can be observed. Economic sectors related to the gathering and serving of people – i.e., accommodation and food service activities, arts, entertainment, and recreation, transport, as well as certain commercial services – have undergone greater difficulties. Due to the above-mentioned weather conditions, the decline in the first quarter was observed in construction and forestry. Positive development trends can be observed in all major industrial sectors - manufacturing, mining and electricity, gas and heat supply. Positive trends are also visible in the trade sector (an increase of 2%). In Q1 of 2021, the largest growth was observed in the health care sector (by 19.7%), as well as in financial and insurance activities (by 15.2%).

In view of the base effect of the first months of the Covid-19 crisis and the resumption of seasonal work and the improvement in the epidemiological situation, which will be facilitated by vaccination, economic activity is expected to increase in the coming quarters. The forecasts of the baseline scenario of the Ministry of Economics reveal that in 2021 economic growth may exceed 3 percent. However, uncertainty remains elevated.

