

On GDP in Q4 of 2022 and the year as a whole

## In 2022, GDP increased by 2%; nevertheless, uncertainty and elevated prices are slowing down the economy

According to the data published by the Central Statistical Bureau (CSB), in Q4 of 2022, GDP at constant prices was 0.3% higher than a year ago. Although economic growth slowed down in the second half of the year, overall, the economy grew by 2% last year.

The main reasons for the economic slowdown are the great uncertainty in the current geopolitical situation, which affects the supply chains of raw materials, and the sharp increase in energy and food prices.

The rate of price growth is ahead of the wage growth, which negatively affects the purchasing power of the population. However, due to the base effect of Covid-19 restrictions and the improvement

of the situation in the labour market, the dynamics of household consumption remained positive in 2022. In Q4 of 2022, private consumption was 6.3% higher than a year ago. Overall, in 2022, it increased by 8.1%.

Despite the great uncertainty, a moderate increase was maintained in investments last year. In Q4 of 2022, investments increased by 0.2%, compared to Q4 of 2021. In general, in 2022, investments in the gross fixed capital formation increased by 0.7%. Investments in housing, buildings, and structures decreased by 11%. At the same time, investment in machinery and equipment and intellectual property products increased by 9% and 21.2%, respectively.

The export volumes of goods and services in Q4 of 2022 were 2.9% higher than a year ago. In 2022, the export volumes increased by 9.1%. Considering the lifting of the restrictions of the Covid-19 pandemic, the export of services is rapidly recovering, which was 20% higher in 2022 than a year ago. The exports of transport services, computer services, and other economic activity grew rapidly last year. Exports of goods increased by 5.6% last year. The main export goods were wood and wood products, electrical appliances and electrical equipment. In 2022, import volumes increased more rapidly than exports (by 11.6%) and the export-import balance at current prices was -5.6% of GDP.

In terms of sectors, the total added value increased by 2.7% in 2022. Rapid growth rates are maintained in the sectors that were hardest hit by the Covid-19 restrictions. In the 4th quarter of last year, the accommodation and food service activities increased by 60% year-on-year, the arts, entertainment, and recreation - by 23.3%; commercial services - by 13%. In these sectors, the growth rates reached a double-digit figure in the year as a whole. There was a stable increase in the ICT sector in 2022 - an increase of 15.5% in Q4 of 2022 and 14% in the year as a whole. The year 2022 has also been successful for the agriculture and forestry sector (increase by 7%). Despite the increase in costs, disruptions in supply chains, and elevated uncertainty, positive growth remained in the manufacturing sector (+2.7%). In wood processing and the food industry, output volumes were slightly below the 2021 level. At the same time, there were positive trends in the manufacturing sectors of electrical equipment, non-metallic minerals, furniture, and metal products. The volumes of production and services decreased in certain sectors last year. Due to the rapid rise in prices and the decrease in consumption, the decrease was in the electricity, gas supply, and heat supply sector (by 14.3%). Due to the rapid increase in costs, the decline in the construction sector continues (by 11.3%, compared to 2021). As a result of the sanctions imposed by the EU, the turnover of goods with the markets of Russia and Belarus has decreased, as a result of which the wholesale sector decreased by 18.3% in 2022.

Elevated uncertainty and high prices continue to affect both business and consumer conditions and, consequently, economic development indicators. Very moderate economic growth rates are likely to be observed in the first half of the year. The Ministry of Economy forecasts that overall GDP in 2023 will remain close to 2022 levels, if the current geopolitical situation does not deteriorate significantly.

