

How Czech industrial production could break through its glass ceiling

Industrial output is likely to emerge from its lingering stagnation, with cheaper energy catalysing progress and signalling better times ahead. The pace of job losses in manufacturing remains on a decisive weakening trend, and new orders have been gaining momentum. Let's see how vital a factor cheaper energy is in reality. Our expectations are upbeat

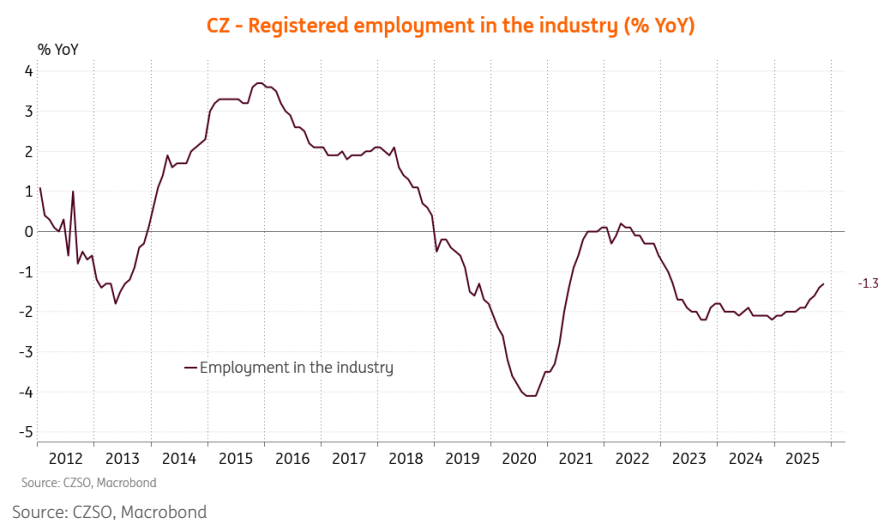


We're optimistic about the prospect of industrial output emerging from its lingering stagnation soon

The kiss of cheaper energy poised to rouse industry from its slumber

Czech industrial production in November added 5.7% year-on-year in real terms when adjusted for the number of working days, picking up by 2.4% from the previous month. Industrial production increased in most industrial sectors, though a low comparison base partly influenced the dynamics. Considering the breakdown, the automotive, metalworking, and chemical industries contributed the most to overall progress. The value of new orders in current prices increased by 4.1% YoY in November, with foreign new orders gaining 6.3% YoY, and domestic new orders adding 0.2% YoY.

The pace of layoffs weakens

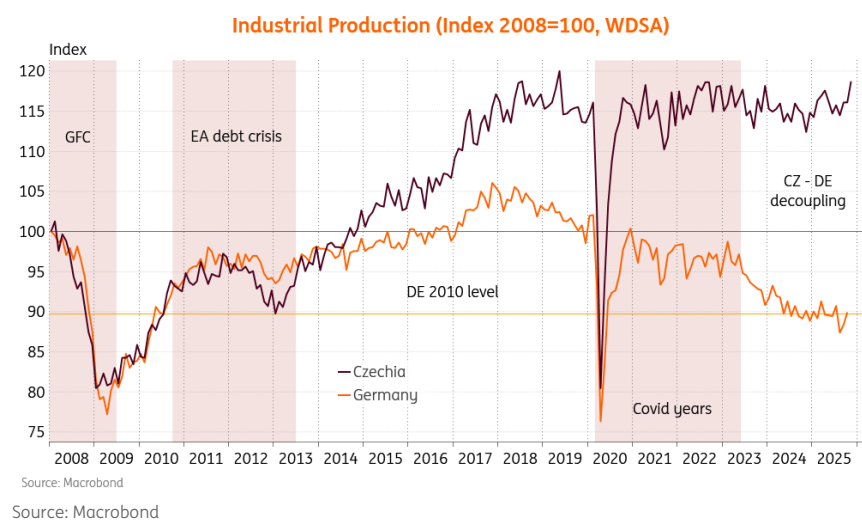


The average number of employees in industry decreased by 1.3% YoY in November, and the average nominal wage growth eased to 5.1% in annual terms from 5.8% previously. That said, the industry has been shedding staff constantly since mid-2022, with the annual reduction hovering around 2% between mid-2023 and mid-2025. This era appears to be gradually coming to a close, with the rate of layoffs easing noticeably from August 2025 onward. The employment dynamic in construction picked up to 1.9% YoY, and nominal wage growth increased to 6.7% in November. Construction output posted annual gains for the 13th month in a row and continued to rise in both civil engineering and building construction.

Any production is transformed energy to a large extent

The Czech industry has obviously benefited from reduced energy costs since October last year, and further reductions are expected in January due to the government taking over some regulated fees for electricity across business sectors. Notable here is that governments are taking steps to address challenges presented by previous European Commission policies, which have yet to undergo any meaningful reassessment. In a rapidly changing environment, institutions that adapt proactively are best positioned to remain relevant.

Czech industry ready to liftoff



When looking at WDSA levels of industrial production, we can sense (perhaps with a bit of goodwill) that the Czech output may be breaking out of the stagnation pitfall it has been trapped in since 2018. As we always stress, cheaper energy matters – and some tangible improvements in German industrial output have now brought it back to the 2010 levels. German industry finally hitting bottom would be good news for Czech exporters.

Better times lie ahead

There are certainly still a lot of well-known growth barriers to tackle in Europe. These include increased regulation, crippling research and development, the EC's legislative activism inducing uncertainty for businesses, the hesitant approach to protecting European industries against Chinese dumping of exports, no viable energy strategy in an environment of ultra-cheap fossil fuels, and a lack of a credible approach to managing migration.

Nevertheless, a glimpse of hope is on the horizon for the European industrial base, which should bring rising economic growth and prosperity. With this in mind, we reiterate our forecast of 2.7% growth for the Czech economy this year and the next, and it may prove that the reduced energy cost will play an even more important role than generally expected. As it holds with Led Zeppelin, these are both good times and bad times.

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