

Czech core industry treads water while construction booms

Czech industrial output growth slowed to 1.4% annually in March, with core segments recording a drop. Meanwhile, the reinforced construction boom driven by buoyant demand for residential properties is set to foster income and bolster the economy. The industrial base faces elevated uncertainty and is likely awaiting more clarity

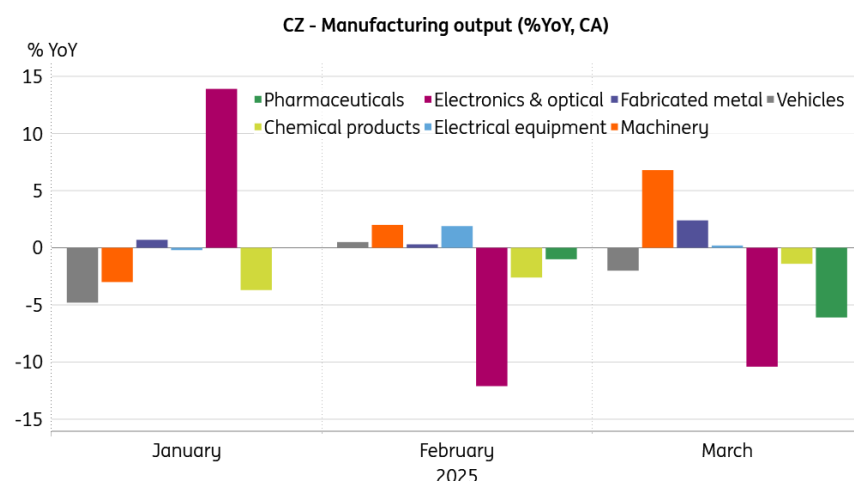


The construction sector has become a frontrunner in boosting economic expansion in the Czech Republic, with more dwellings both started and completed than we saw last year

Core industries still suffer

Czech industrial production gained 1.4% year-on-year in real terms in March and added 0.4% from the previous month when adjusted for the number of working days. The annual growth in industrial production in March was predominantly driven by electricity production, which was to some extent affected by the previous year's low comparison base. Meanwhile, output in manufacturing remained stagnant compared to the previous year, with annual declines in the manufacture of motor vehicles, electronic and optical instruments, and pharmaceuticals. A rebound was observed in the production of building materials, driven by the current boom in construction and reinforced demand for residential property.

Challenging times for industry requires more support



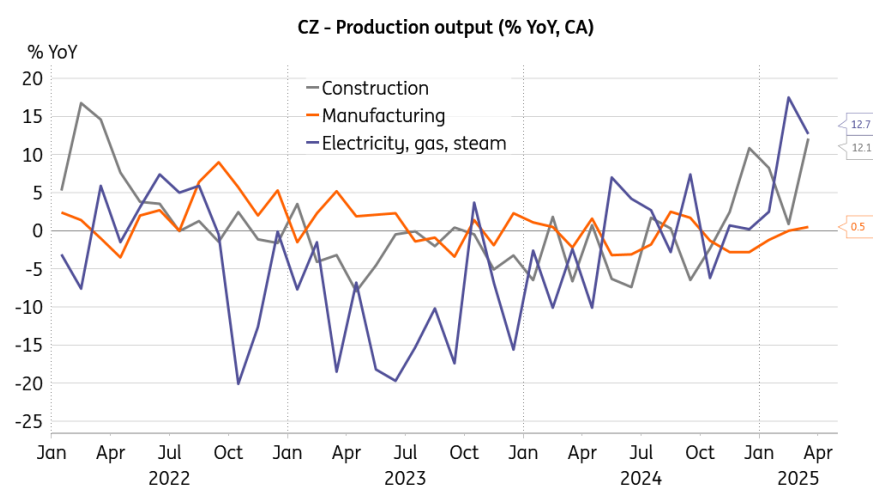
Source: CZSO, Macrobond

The value of new orders at current prices grew by 0.9% YoY in March, with both foreign and domestic orders adding 0.9%. The value of new orders was 2.1% higher than in the month prior. The average number of employees in the industry dropped by 2.1% YoY in March, while the annual nominal wage growth picked up to 4.6% in March from 3.7% previously.

Construction boom to bolster the economy

The revival of the construction sector is now fully visible in terms of output figures. Construction output added 12.1% YoY in March and was 3.5% higher than in the previous month, with 15.9% more dwellings started and 44.7% more dwellings completed than last year. The average number of employees in construction increased by 0.2% YoY in March, while the average annual wage growth increased to 7.4% from 4% previously.

Building sector rises from the ashes



Source: CZSO, Macrobond

The construction sector has become a frontrunner in boosting economic expansion in the Czech Republic, which is also obvious from the more notable wage increases in the segment. Meanwhile, core manufacturing is still treading water and suffers from a suppressed employment dynamic.

Still, real wage growth seems to have remained solid enough throughout the year's first quarter to further support consumer spending in spring. In contrast, weak industry is waiting for some kind of a push – be it some bold action in terms of less burdensome European regulation, a boost for cheaper energy, or a long-awaited turnaround for the German economy.

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