

Czech industrial production improved in May, but not enough

Czech industrial production increased by 13.8% from April, but compared to a year ago, it still posted a double-digit contraction. The June unemployment rate stagnated



Czech industrial production increased by 13.8% month-on-month, which is not surprising as April was affected by broad shutdowns at the main carmaker factories. But the increase was still lower than expected. In year-on-year terms, industrial production was down 25.9% and, not adjusting for working days, it was almost 30% lower compared to the 34% YoY slump in April. Average wages at the big industrial companies declined by 6.1% YoY while employment fell 3.6% YoY, which is only slightly weaker compared to April.

13.8%

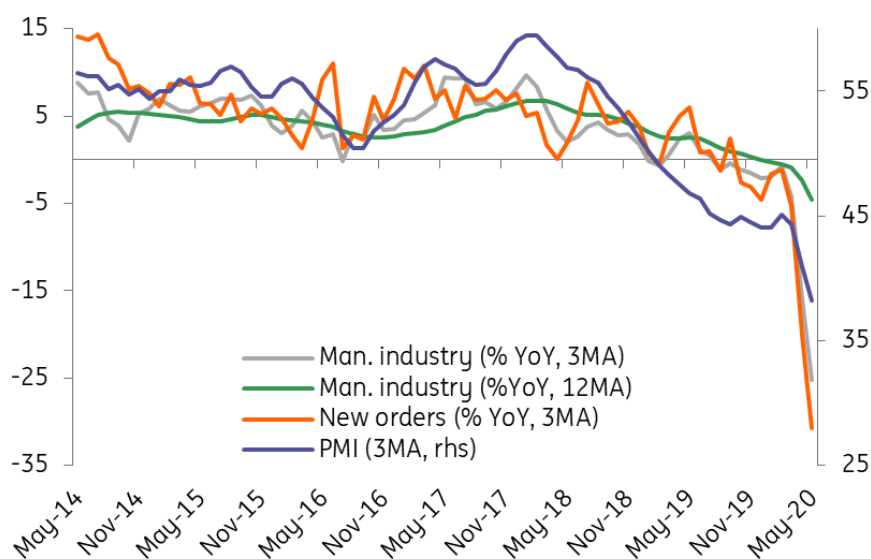
Industrial production in May (MoM)

-29.4% YoY lower

While some main car producers reopened in May, not all were operating at full capacity at the start, and carmaker TPCA remained closed until the end of May. As such, only a limited

improvement in car production was anticipated and the YoY decline in car production was 50% after an 80% slump in April. However, the recovery in many other industrial segments was even more limited and the YoY decline in some segments actually accelerated in May. As such, May's recovery was slower than hoped for, not only due to some ongoing restrictions, but also because of weaker foreign demand. Indeed, new foreign orders were 37% lower in YoY terms vs. -45% in April. However, this is not the case only for the Czech Republic, as German industry also lagged expectations in May and signalled that the recovery of industry might be somewhat slower than anticipated earlier.

Industrial production (output, orders, PMI)



Unemployment rate just slightly higher in June

Czech MinLab published today, a few days ahead of schedule, the June share of unemployed people registered at Labour Offices, which just slightly increased to 3.7% after 3.6% in May. Still, the total number remains favourable as a result of an overheated labour market before the Covid-19 outbreak and combination of government measures. However, some measures ended in June, which might motivate some people to register as unemployed during the summer months. On the other hand, the Kurzarbait programme was extended until August, and there are some initiatives to extend it until the end of the year, which might cushion an anticipated adverse development in the Czech labour market.