

## Czech industry fell by more than expected in November

Industrial production fell by 5.7% YoY. Working day adjusted, the fall reached 3.2%, more than the market expected. This disappointing figure pushed Jan-Nov average growth into negative territory, after 3% growth in 2018.



Bleak foreign demand, structural issues in the European automotive sector, and challenges to the German economic model were the main issues reported in the Czech PMI survey

Czech industrial production fell by 1.1% month-on-month in November. The year-on-year fall grew to 5.7% YoY. Adjusted for the effect of fewer working days, the year-on-year decrease comes to 3.2% YoY, still higher than the market expected. Average growth for domestic industry reached -0.3% between January and November last year and it thus fell into mild recession.

### Manufacturing segment a weak spot in November

The main reason driver behind the weaker November print was manufacturing. Here saw significant falls in production of transport equipment, machinery, and vehicles. The weaker prints were relatively broad based. Car production fell 6.7% YoY (working-day adjusted: 3% YoY), having grown slightly in previous months. For all of 2019, car production average growth reached 1.4%, still a positive in the context of a noticeable drop in car production in Germany.

# -5.7% YoY

Worse than expected

## Czech industrial production in November

-3.2% YoY adjusting for working days

### German industry improved in November

Some positive news is that German industrial growth ended above market expectations and grew by 1.1% in November, driven by production of capital goods and partly by construction (included in German industrial statistics). Manufacturing itself accelerated by only slightly less (+ 0.9% MoM), mainly due to growth in car production. This grew by more than 3% MoM in November, after falling significantly in the previous two months. However, the year-on-year dynamics of German car production remain markedly negative, and the fall in car production in Germany will be near 10% in 2019. The more favorable November figures offer some hope that German industrial production has rebounded, which would be good news for domestic industry. Somewhat weak November new orders are tempering this optimism somewhat. We will have to wait a few more months to see the whether German industry has really rebounded.

### Czech industry on the edge of recession

Czech industry will thus slow appreciably in 2019 and will be on the edge of a slight recession, after growing by 3% in 2018 and by 6.5% in 2017. Its performance this year remains relatively uncertain and will depend on further developments abroad. We expect continued stagnation. New orders grew by just 1.5% in 2019, their weakest YoY dynamics since 2009.