

Czech industry grows 3% in 2018

December industrial production fell by 1.4% due to the lower number of working days and fall in car production. For the whole of 2018, industry grew by 3% but this marks a deceleration from the 6.5% pace in 2017 and we expect a further slowdown this year due to the weaker automotive sector



Source: Shutterstock

Industrial production declined by 1.4% year-on-year in December. However, this was partly due to one missing working day and adjusting for that, industry would have grown by 1.8% YoY, similar to the rate seen in November, though below the whole year average of 3%.

3% YoY

Industrial production growth in 2018

after 6.5% in 2017

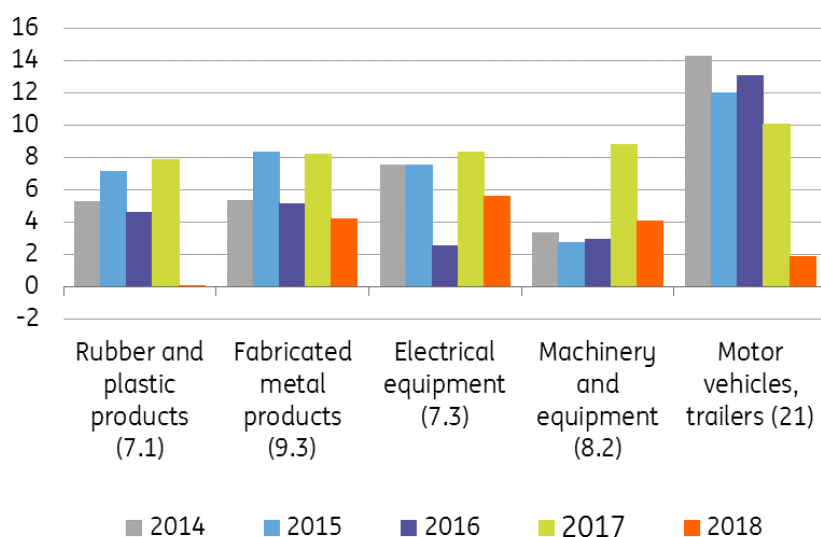
Automotive fell, which might be typical December volatility

The main reason behind the weaker December figure was a 7% fall in the production of cars and machinery equipment. However, car production was growing at a surprisingly strong rate in October and November, so lower production in December could be a result of company holidays. December's industrial figures are usually quite volatile so we shouldn't draw strong conclusions from them.

Automotive segment grew at a weak pace in 2018

For the whole of 2018, the automotive sector grew by just 1.9%, the weakest rate since 2013. However, a number of significant domestic industrial segments maintained solid growth momentum last year, albeit slightly weaker than in 2017.

Main industrial segments (% YoY)



Source: Czech Statistical Office, ING Bank

Industry will slow down further this year

For this year, we expect domestic industry to slow down further to around 2%, but recent leading indicators are more pessimistic so further downward revisions could come later this year. This is mainly due to weaker production in the automotive sector, which is being hit by both capacity constraints and the saturation of demand, with production increasing at a double-digit pace since 2014. This outlook also confirms that new orders in the automotive sector grew by around 1% last year- even less than in 2017.

Though today's weaker results could be driven by some traditional December volatility, the data signals a more prudent approach to monetary tightening and increases the likelihood that the Czech National Bank will stay on hold tomorrow.