

Czech industry likely bottoms out while construction thrives

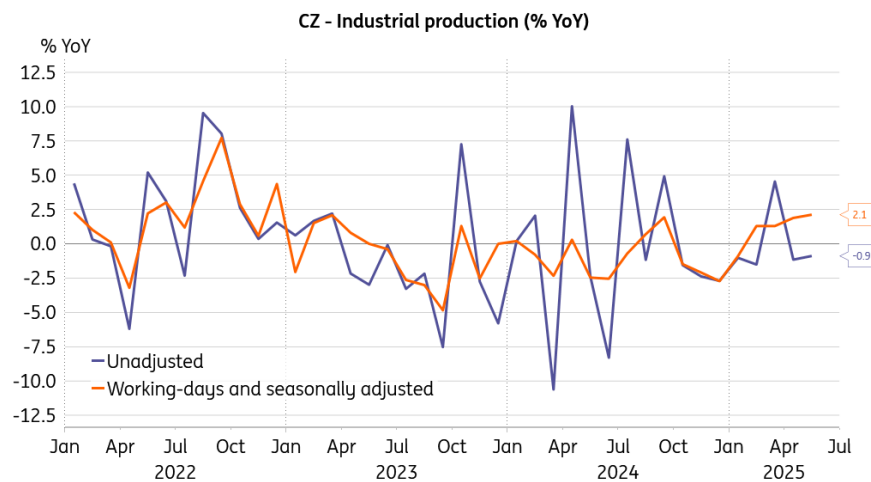
Annual growth in industrial production gained pace in May when adjusted for the number of working days. A continued pick-up in new orders provides hope that Czech manufacturing is bottoming out. The construction sector is buzzing, with demand for properties remaining robust. Wage gains are still solid, though the pace is a bit softer than before



Industrial production gains solid ground

Czech industrial production rose by 2.2% year-on-year in real terms in May when adjusted for the number of working days, while it was down by 1.6% month-on-month. As in previous months, the annual rate of industrial production in May was partially influenced by the low comparison base in electricity generation. Annual growth was supported by a good performance in other transport equipment, and machinery, where significant long-term contracts were completed.

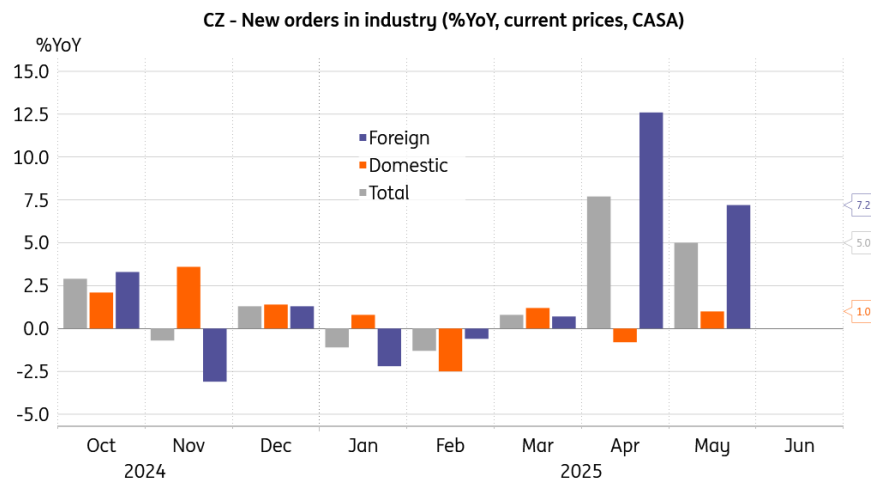
Adjusted series suggests firming manufacturing



Source: CZSO, Macrobond

The value of new orders in nominal terms rose 5.0% YoY, while on a monthly basis, new orders declined 3.9% in May. Foreign new orders gained 7.2% YoY, and domestic new orders added 1.0% YoY. The annual growth in new orders in May was mainly driven by the motor vehicles section, partially affected by a lower comparison base. New orders performed well on a yearly basis in the fabricated metal products sector. The average number of employees in industry decreased by 2.0% YoY in May 2025, the same pace as in the preceding month. The average nominal wage growth softened to 5.1% YoY in May from 7.5% previously.

New orders provide some hope



Source: CZSO, Macrobond

Construction: allez, allez, allez!

Construction output gained 11.6% YoY in May and 2.3% MoM. The indicative value of building permits issued dropped by 39.6%. However, this figure comes from a volatile time series. That said, 5.2% fewer dwellings were started compared to the previous year, while completions rose by 4.9%

Such a pace is likely insufficient to balance out the distortions in the residential market, where supply chronically lags behind demand. The average number of employees in construction lost 0.7% YoY in May, and the average nominal wage growth slowed to 5.4% annually.

Overall, the industrial sector may be finding its footing, supported by a strengthening annual performance in working-day-adjusted terms and an uptick in new orders. Meanwhile, construction continues its impressive run, driven by residential demand that significantly outpaces supply. The annual wage dynamics somewhat softened in both sectors, yet remain supportive of household income in both nominal and real terms.

Author

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.