

## Czech Republic: Industrial output grows due to calendar bias

Industrial production grew by 4.9% year-on-year in September. However, this solid result was supported by a higher number of working days (+2). After adjusting for this, Czech industry would have fallen by 0.6% YoY



Source: Shutterstock

### Calendar bias helped in September

Due to a higher number of working days, the year-on-year result in September was stronger in a number of sectors. In the most important automotive sector, production increased by 11% YoY, which is significantly above the 2019 average of 3%. However, after adjusting for working days, production in this segment grew by just 2.7% YoY. As such, this year's average growth is similar to last year's. While it's no longer in double-digits as it was between 2014-2017, it is quite a solid performance in the context of a 10% year-to-date decline in German automotive production.

# 4.9%

## Industrial production in September (YoY)

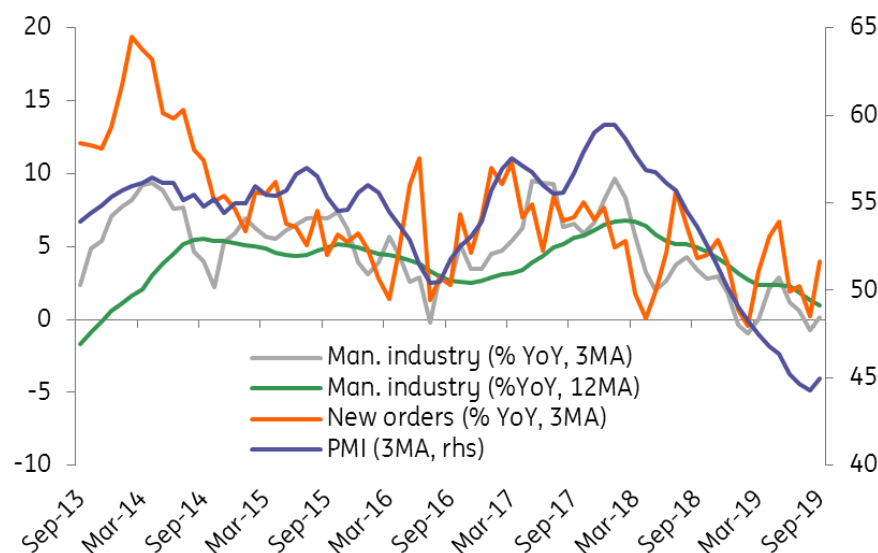
-0.6% YoY after adjusting for working days

Higher than expected

### New orders keep growing

Although domestic car production has been growing slightly this year, a slowdown has been seen in a number of sub-segments, mainly part of the automotive supply-chain. For example, the production of plastic products is stagnating this year, as well as the production of metal products. Generally, however, new orders in domestic industry have maintained similar growth as in the previous year, around 3%. Again, this is a relatively favourable value given the fact that German industry this year is decreasing by 6% on average.

### Industrial production (output, orders, PMI)



Source: CZSO, ING

### Future uncertainty remains

As the gradual slowdown in Czech industrial production and the development of leading indicators indicate, the situation in domestic industry remains relatively fragile. The manufacturing PMI has remained below the 50 threshold for 11 months in a row, and confidence among domestic industrial firms fell to its weakest level since mid-2013 in September. Similarly, the figures coming from our most important trading partner - Germany - do not bring much better prospects in this respect, although at least new orders in September grew above market expectations. However, domestic industry will slow down this year and will be on the edge of stagnation, having grown by 3% last year and by 6.5% in the previous year. Current developments abroad also suggest that domestic industry will remain under pressure next year, too.