

## Czech Republic: Industry declined in August

August industrial production declined by 3.8% year-on-year, partially due to a lower number of working days. If adjusted, industrial production fell by 1.2% YoY following stagnation in July. The average year-to-date growth of Czech industry has decelerated to 0.4% YoY after 3% growth in 2018



Source: Shutterstock

### Calendar bias during this summer

Whereas the July statistics were supported by the fact that the month had two more working days in year-on-year terms, August had one less working day. The difference between the three

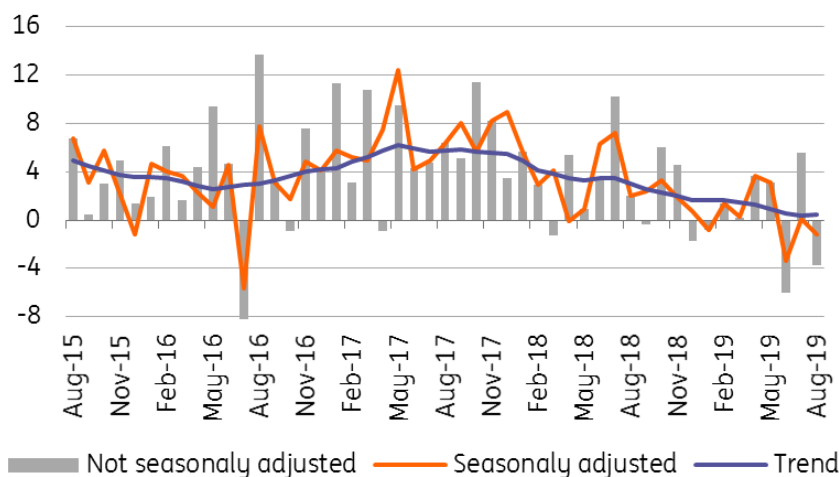
working days thus made a relatively large difference in the year-on-year growth of July and August industrial production. IP grew by 5.6% YoY in July but fell by 3.8% YoY in August. After adjusting for working-day effects, the figures were less volatile, with industry stagnating in July and falling by 1.2% YoY in August.

**-3.8%** August industrial production (YoY)  
 1.2% YoY adjusted for working days

### Summer readings are less informative

In general, however, industrial production figures should be taken with a pinch of salt during the summer months, as the numbers tend to vary due to factory-wide holidays. If there is a different distribution of holidays across years, the values are highly volatile. At the same time, it is hard to completely strip out this effect. The uncertainty associated with the summer months is also illustrated by the fact that analysts' estimates for August industrial production varied from -5.1% to -0.8%, which is a relatively wide range. The average growth in industry in July and August was 0.9% YoY. This generally confirms the gradually decelerating trend of domestic industrial production. It grew by 6.5% YoY in 2017 and by 3% last year; this year's average growth rate is 0.4% thus far.

### Czech industrial production (% YoY)



Source: CZSO, ING

### External environment remains challenging

At the same time, August data from German industry surprised on the downside again. After a weaker-than-expected July, new factory orders fell by almost 7% year-on-year in August (-5% in July). For the whole of 2019, they fell by 5.8%, with industry falling by 3%.

Today's industrial figures need to be taken with some caution due to calendar effects and fluctuations in values during the summer months. Nevertheless, the situation in domestic

industry remains relatively uncertain, and the downward trend is obvious, although the slowdown is less marked than in Germany. The uncertain foreign environment will remain the main factor for the Czech National Bank to stay on hold during its November meeting, despite its hawkish tilt in September.