

Czech Republic: Industry stagnates in June

June industrial production increased by a solid 5.6% YoY, but it's driven mainly by a higher number of working days. After adjusting, industry just stagnated. We've only seen 1% average growth in industry this year, the weakest annual figure since 2013. And German industrial data doesn't bring much optimism



Source: Shutterstock

Summer prints are less informative

In general, industrial production figures during the summer months need to be taken with some caution as they tend to be very volatile due to factory-wide holidays. If there is a different distribution of holidays across the summer, values can surprise on both sides. For example, the car industry accelerated by 23% YoY in June, driven by a low base as company holidays and weaker production were concentrated in June last year. The uncertainty associated with the summer months is also illustrated by the fact that analysts' estimates for July industrial production ranged from -1.3% to 6.9%, an unusually wide range. Due to the summer month holidays effect, the informative value of today's data is very low.

5.6%

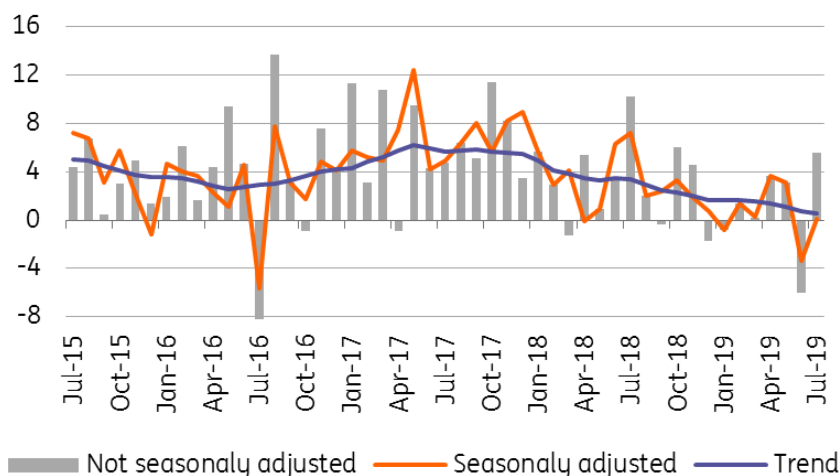
Czech industrial production, YoY

0.1% YoY after adjusting for working days

German data remains weak

For the whole of 2019, domestic industry has been growing by about 1%, which is the weakest reading since 2013. And we can't hope that the Czech Republic's most important trading partner, Germany, will bring better prospects. In fact, the reverse is true. Data from German industry surprised negatively, with new orders falling by almost 3% month-on-month and by 5.6% year-on-year. July industrial production data released today also fell in MoM terms, while analysts expected slight growth. The annual decline in German industry stood at around 4% YoY in July, as you can read in this article: [Germany: Industrial slump continues](#)

Czech industrial production (% YoY)



Source: CZSO, ING

Czech industrial outlook uncertain

Today's figures from industry need to be taken with a certain amount of care due to the calendar effects and fluctuations related to summer holidays. Nevertheless, the situation in domestic industry remains uncertain, with leading indicators falling to their lowest levels in recent years. Further positive developments will depend on the condition of the global economy, which is currently slowing down due to trade tensions, the contraction of the Chinese economy, problems in the automotive sector and uncertainty around Brexit, to name just a few.