

Czech Republic: Recovery in industry continues

Czech industrial production increased by 3% in October compared to the previous month and the annual figure was positive for the first time since May 2019, mainly driven by a strong recovery in car production



Source: Shutterstock

First YoY growth in 18 months

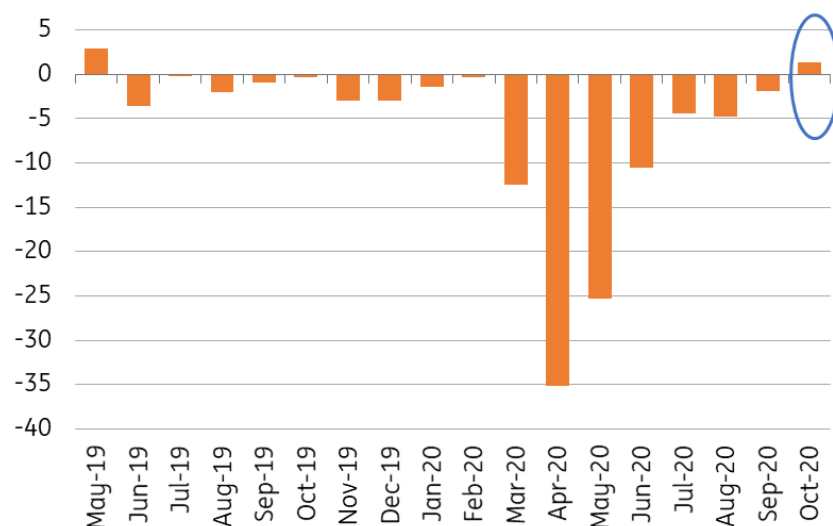
The year-on-year decline in industry slowed from -1.9% in September (after revision, originally -1.5%) to -1.3% in October. However, October 2020 had one working day less compared to October 2019, which affected the result. After adjusting for that, industry actually grew by 1.3% YoY in October, which is the first growth (adjusted for calendar effects) since May 2019.

Driven by strong automotive production in October

Car production, which grew around 10% in October, was the biggest contributor to this growth (after adjusting for the effect of working days, growth would have been almost 14%). Production also accelerated in other major industrial segments, such as plastics and electrical equipment. However, the year-on-year decline intensified in machinery production, falling almost 10%. Thus

the overall performance remained mixed and the recovery of industry was mainly driven by the automotive sector, which is trying to catch up after spring outages. Despite a solid October, however, production is still 16% lower YoY for the whole of 2020. New orders grew by 5% YoY in October and foreign orders accelerated by more than 8% year-on-year, or more than 15% in the case of cars.

Industrial production (% YoY working-day adjusted)



Source: CZSO, ING

Recovery in industry continues despite the second pandemic wave

Czech industry stepped into the last quarter of this year stronger than expected despite the second wave of the pandemic, which pushed many segments into contraction again in October. This is due to the fact that, unlike during the first wave, carmakers did not shut down. At the same time, domestic industry is driven by the relatively favourable performance of industry abroad. For example, German industrial production also performed better than expected in October, accelerating by more than 3% compared to September. And improving new orders suggests that industry could maintain a decent pace in the coming months. Industry will thus support the domestic economy in the last quarter of this year, which is one of the main reasons why the impact of the second wave of the pandemic on the domestic economy will be weaker than in the spring.

For the whole of this year, industry should fall by about 7-8%.