

## Czech Republic: Strong auto production in December

Czech industry grew by 0.5% year-on-year in December amid 15% growth in car production. Without adjusting for working day bias, industry expanded by 6% YoY, the first positive figure since September 2019. For the whole of 2020, however, industry declined by 8%, with car production down by 12%



Source: Shutterstock

### Positive figure due to strong car production

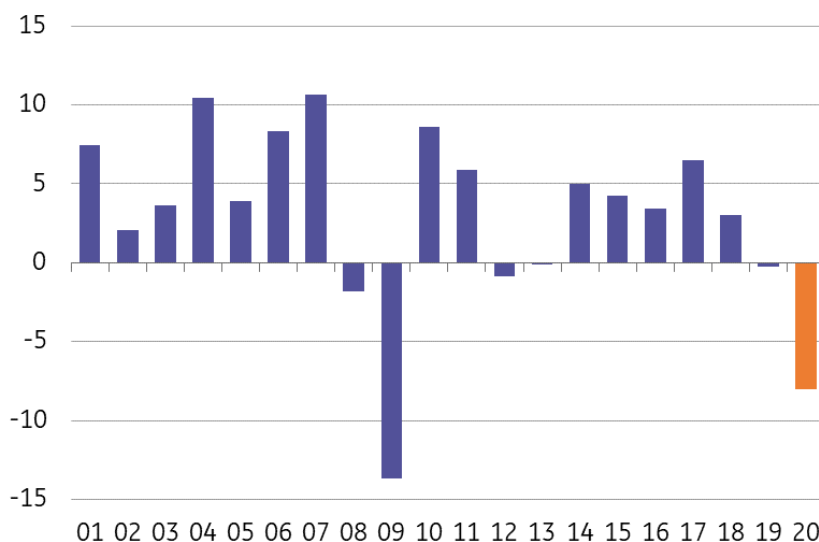
Industrial production accelerated slightly in December to 0.5% YoY from 0.4% in November. However, this figure has been adjusted for a different number of working days, without this adjustment, industry accelerated by almost 6% YoY in December after falling 2% in November. This is the first positive year-on-year growth rate since September 2019. The main driver was strong car production growth, which accelerated by 25% YoY (15% if adjusted for working day bias). The automotive sector has been successfully catching up lost production from the second quarter, but a low base from December 2019 also helped. For the whole of 2020, car production fell by 12%, which is slightly more than in 2009 (-10.9%).

### Optimistic new orders

New orders also rose solidly in December, by 11%, the highest rate since the end of 2018. In the

case of motor vehicle production, new orders accelerated by as much as 17%, with rising domestic and foreign orders. For the whole year, however, orders fell by 8%, as with industrial production as a whole.

## Industrial production (%)



Source: CZSO, ING

## Car production impacted by supply chain troubles in months ahead

Domestic industry pleasantly surprised at the end of last year, especially in terms of car production and new orders. Overall, industry grew by 3.8% QoQ in 4Q20, which will be an important driver of 4Q GDP, as the second Covid wave did not affect it as much as in March and/or April. Leading indicators at the beginning of the year remain favourable, manufacturers are relatively optimistic about the future, as suggested by the development of new orders, however, supply chain failures and chip deficiencies will lead to reduced production of some car models, as Skoda Auto announced two weeks back. As such, car production is likely to slow in the months to come.

### Industry fell by 8% last year

For the whole of 2020, domestic industry decreased by 8% (vs. 13.6% in 2009), while the production of cars fell by 12%, similar to the production of machinery. On the other hand, paper production increased by 4%, and the pharmaceutical industry by 2.5%. This year, we expect industrial production to grow by about 4%.