No end to the weakness in Czech industry, and auto-sector holidays are only partly to blame

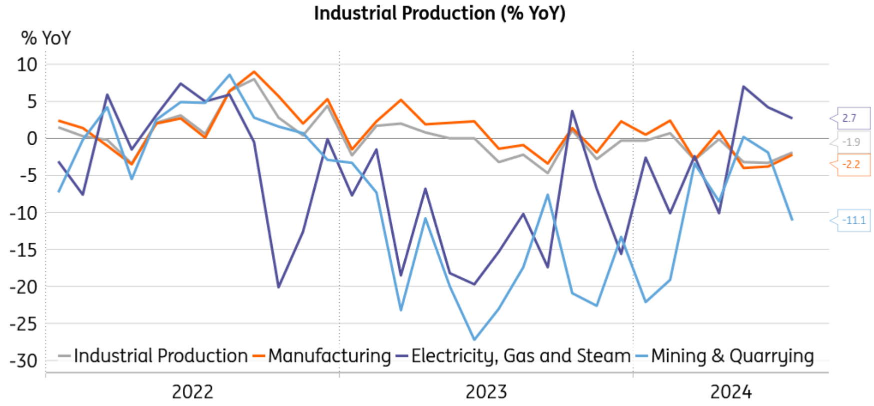
Industrial output in the Czech Republic lost 1.9% from a year earlier in July when adjusted for the number of working days. The contraction is partially related to holidays in the automotive sector, but this does not change the overall weakness in manufacturing

A car manufacturing plant in Kolin, Czech Republic

Output and new orders are both losing out

Czech industrial production shed 1.9% in July from a year earlier in real terms, when adjusted for the number of working days. It also has contracted by 0.8% from the previous month. That said, industrial output deteriorated due to a shift of holidays in car manufacturing companies. Some sectors, such as food production, posted annual production gains in July.

Industrial production remains in decline



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The value of new orders lost 1.8% from a year earlier. New orders from abroad fell by 2.0% YoY, while domestic new orders lost 1.5% YoY. The sectoral breakdown provides a more nuanced picture. New orders gained in most sectors surveyed, while the overall decline, similar to output, was on account of the automotive industry. The average number of employees there decreased by 1.9% YoY in July, while the average nominal wage bounced back to a lofty annual increase of 9.1% after a weak June figure.

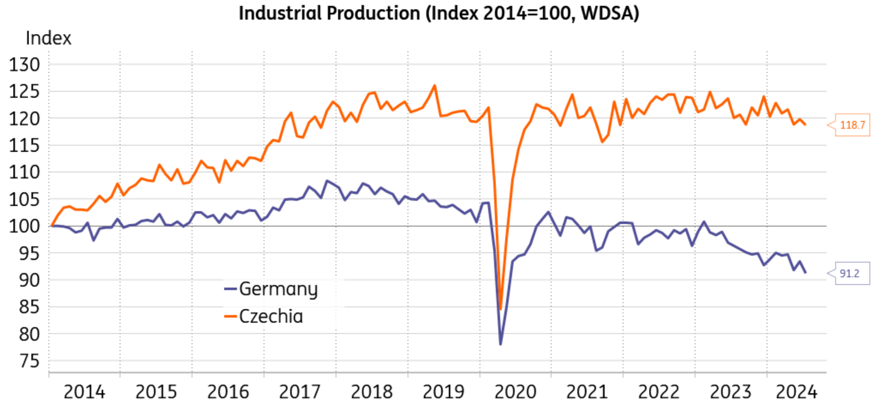
Construction output rose by 2.0% YoY in July and was 6.9% higher MoM, with civil engineering representing the main driver of overall gains.

Weak demand from European trading partners is a drag

Overall, the Czech industry continued on a downward trend when looking at the number of working days adjusted index. The manufacturers report limping external demand as a major barrier to growth, with demand from major European trading partners not being able to support the export performance. The protracted weakness in industry is not good news for the medium-term economic rebound in the Czech economy.

Nominal wages returned to robust growth, so there will likely be enough fuel for household spending to propel the expansion in the year's second half.

Industry is under pressure in Czechia and Germany



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