

ANALYSIS

6 February 2013

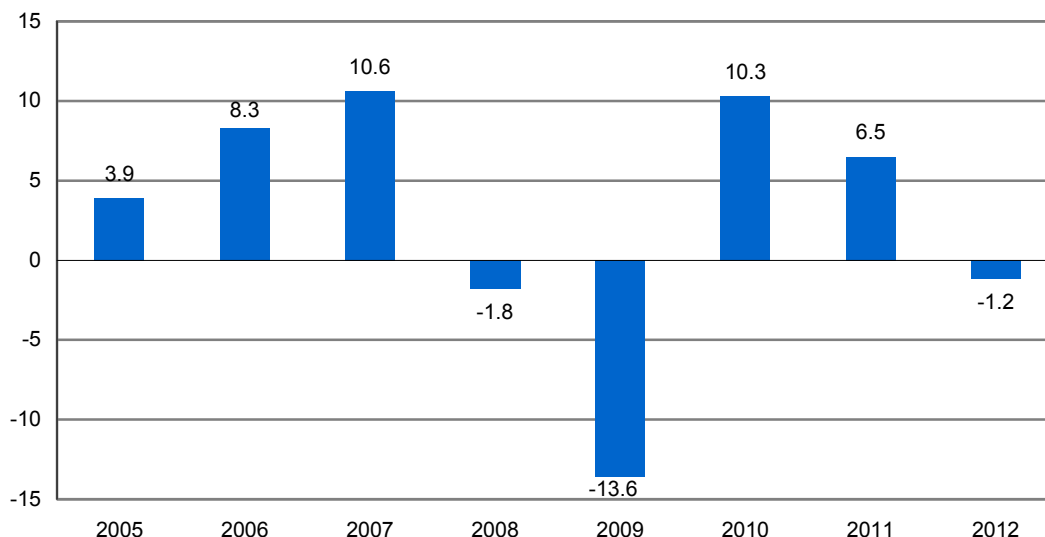
INDUSTRIAL PRODUCTION SLIGHTLY DECREASED IN 2012

Industrial production slightly decreased in 2012 after two years of growth. The year-on-year decrease started in the Q2 and gradually deepened in the following periods. From the point of view of the entire year, only five divisions of manufacturing industry reported growth. One of the reasons for the decrease was the domestic demand (that continued to decrease) together with weakened demand from abroad as a result of slackening of the economic growth in member states of the European Union.

Industrial production

In 2012, industrial production dropped by 1.2%, year-on-year. Unlike a similar result in the pre-crisis year of 2008, however, it was a gradual slackening during the entire year. While in the Q1 production was still growing by 2.9%, in the following two quarters there was already a decrease by 1.5% and 2.0%, respectively. The result for the entire year was influenced especially by the fourth quarter, in which the production decreased by 3.9%.

Industrial production
year-on-year changes (%)



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In 2012, year-on-year growth was recorded only in five divisions of the manufacturing industry. In 2011 it was still manufacture of motor vehicles, trailers and semi-trailers, which contributed the most to the overall growth of production. It pulled the industrial production the most (with its contribution of 0.4 p.p. to the y-o-y change) also in 2012; however, its y-o-y growth by 2.2% was not enough to balance the negative development in most of the other divisions. The y-o-y decrease was further slackened especially by manufacture of electrical equipment (growth by 5.8%, contribution 0.4 p.p.) and manufacture of machinery and equipment (growth by 2.4%, contribution 0.2 p.p.). On the contrary, manufacture of computer, electronic and optical products contributed the most to the drop of industrial production (decrease by 11.8%, contribution -0.4 p.p.), manufacture of basic metals (drop by 9.0%, contribution -0.4 p.p.), and manufacture of rubber and plastic products (drop by 3.6%, contribution -0.2 p.p.). Rather significant was also a decrease in manufacture of other non-metallic mineral products (drop by 4.3%, contribution -0.2 p.p.), which includes, among others, production of many types of construction materials and which has a negative influence on the development in construction.

Industrial divisions by their contribution to industrial production growth in total

Division	Year-on-year growth (%)	Contribution to y-o-y growth in percentage points
Manufacture of motor vehicles, trailers and semi-trailers	2.2	0.4
Manufacture of electrical equipment	5.8	0.4
Manufacture of machinery and equipment	2.4	0.2
Manufacture of chemicals and chemical products	5.3	0.2
Manufacture of coke and refined petroleum products	2.9	0.0
Electricity, gas, steam and air conditioning supply	-0.1	0.0
Manufacture of textiles	-0.9	0.0
Manufacture of leather and related products	-6.2	0.0
Manufacture of paper and paper products	-1.0	0.0
Manufacture of other transport equipment	-1.7	0.0
Manufacture of beverages	-1.5	0.0
Manufacture of wearing apparel	-6.0	0.0
Manufacture of furniture	-4.7	-0.1
Other manufacturing	-3.9	-0.1
Manufacture of fabricated metal products, except machinery and equipment	-0.8	-0.1
Manufacture of food products	-1.9	-0.1
Manufacture of basic pharmaceutical products and pharmaceutical preparations	-7.4	-0.1
Printing and reproduction of recorded media	-8.6	-0.1
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	-6.3	-0.2
Manufacture of other non-metallic mineral products	-4.3	-0.2
Manufacture of rubber and plastic products	-3.6	-0.2

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Division	Year-on-year growth (%)	Contribution to y-o-y growth in percentage points
Mining and quarrying	-5.0	-0.2
Manufacture of basic metals	-9.0	-0.4
Manufacture of computer, electronic and optical products	-11.8	-0.4
Industry in total	-1.2	-1.2

Compared to the base year of 2005, the production was higher by 17.9%, which is a similar result as in the period, when the first economic decline started. Unlike in 2008, industrial production was by 0.2% higher.

Sales and new orders

Sales from industrial activity at current prices in 2012 increased by 1.1%, y-o-y. It was mainly owing to the growth of sales from direct export (+2.1%), while domestic sales virtually stagnated (+0.1%). It has to be mentioned that the term domestic sales includes also indirect export via other enterprises be it foreign or domestic ones classified out of industry.

New industrial orders in measured divisions were higher by 2.1% in 2012 than in the previous year. However, the growth rate fell behind the year 2011, when orders grew by 4.8%, y-o-y. Development of new orders was positively influenced mainly by non-domestic orders, which increased by 5.2%, while domestic new orders decreased by 3.5%.

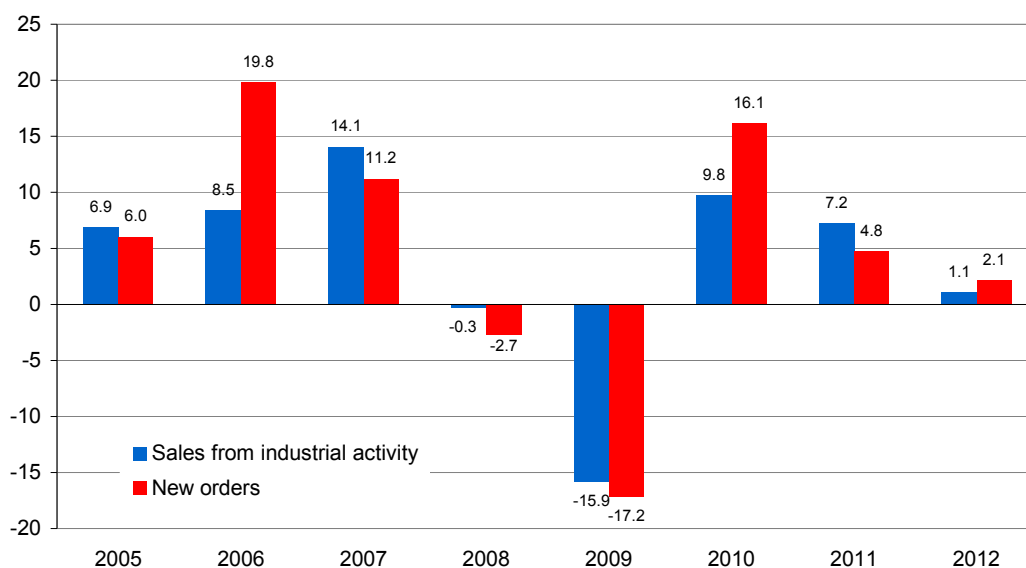
From the point of view of CZ-NACE divisions, manufacture of motor vehicles, trailers and semi-trailers was the biggest contributor to the growth of new orders (growth by 8.3%, contribution to the y-o-y growth 2.7 p.p.). However, a rather significant growth was recorded also in manufacture of chemicals and chemical products (growth by 13.9%, contribution 0.9 p.p.) and manufacture of electrical equipment (growth by 4.4%, contribution 0.4 p.p.). On the contrary, the most negative influence was due to the decrease in the number of orders in manufacture of basic metals (drop by 12.5%, contribution -1.1 p.p.), manufacture of computer, electronic and optical products (drop by 6.2%, contribution -0.7 p.p.), and manufacture of other transport equipment (drop by 11.6%, contribution -0.2 p.p.). In the case of manufacture of other transport equipment, which includes mainly heavy duty transport equipment, however, it has to be taken into account that there are longer production cycles, which entails volatility of orders.

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Sales from industrial activity and new orders year-on-year changes (%)



Wages and employment

The average wage in industrial enterprises with 50+ employees was CZK 26 675 in 2012; it increased by 3.5%, year-on-year. The registered number of employees in the same sample decreased by rather insignificant 0.2%.

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Methodological note: Unless stated otherwise, the data for industry in total mean sections B, C, and D of the CZ-NACE classification. New industrial orders are measured only for the following CZ-NACE divisions: 13, 14, 17, 20, 21, 24, 25, 26, 27, 28, 29, and 30.

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