Performance in Main Branches

- ***Growth rates of industrial production slows down***

In Q1-Q3 2006 the year-on-year industrial performance, measured by the industrial production index increased by 10.5% and sales from industrial activities increased slightly more (by 10.9% at constant prices). In Q1 there had been a significant acceleration, however in Q3 only a moderate acceleration, of the growth rate of the increased production rate and even there had been a deceleration of sales growth.

- ***Export expansion of mechanical engeneering production is the main source of industry growth***

Mechanical engeneering (8.9 p.p.) contributed most to an increase of industrial production, of which particularly growth of manufacture of transport equipment (4.2 p.p.). Among the main industrial groupings, the biggest growth occurred in production for long-term consumption (by 28.3%) and for investments (by 19.5%). The growth of sales from direct exports (by 11.3% at constant prices) contributed more to the increase of sales, due to the development in Q3, than growth of domestic sales (by 10.5% at constant prices). The implicit deflator and physical volume of sales from direct exports had an effect on their year-on-year change of value in a different way compared to domestic sales because the price level of sales from direct exports dropped by 1.9% and of domestic sales grew by 0.7%. Processing industry (growth of 11.5%) contributed most to the growth of sales in terms of branches and in terms of organization enterprises under foreign control (growth of 19.2%). Labour productivity, measured by volume of sales, increased by 9.3% year-on-year in Q1-Q3 2006 and contributed by more than five sixths to the growth of industry. The remaining sixth of the sales increase fell upon the increase of the number of employees. Their average gross nominal wage rose by 6.0%, which led to a drop of unit wage costs in industry by 3.0%.

- ***Significant growth in construction, however in Q3 only slightly higher than last year***

In Q1-Q3 2006, construction increased by 5.4% year-on-year at constant prices, of which by 7.4% in Q3 which means an acceleration of the growth by 4.0 p.p., respectively only by 0.1 p.p. The year-on-year volume of construction increased in Q1-Q3 2006 according to delivery contracts also by 5.4%; in new construction, reconstruction and modernization the growth was lower (5.0%) and in repair and maintenance higher (7.8%). From the organizational point of view building enterprises prospered more (growth 5.6% at constant prices) than civil engineering enterprises (5.0%), however there was a markedly different development in new construction (7.1% and 2.0%) and in repair and maintenance (-6.6% and 26.6%). The volume of work carried out by own workers increased by 6.5% and their growth decreased by 1.7 p.p. Labour productivity (measured by delivery contracts) increased by 4.8% year-on-year in Q1-Q3 2006 and contributed to the growth of production by nine tenths. At the same time it grew significantly faster than a year ago (by 5.1%). However, the growth of gross monthly nominal wage by 6.8% led to an increase of unit wage costs by 1.9%.

- ***Less building permits with a higher value of constructions***

In Q1-Q3 2006, investors were granted with 98.4 thousand building permits with an orientation value of newly permitted constructions of CZK 266.5 billion, which was by 7.1% less (7.5 thousand) respectively by 7.1% more (CZK 17.7 billion) than a year ago. At the same time, the value of construction per one construction permit per three quarters structurally developed quite differently; the year-on-year growth was 15.3% of which residential buildings by 7.2% and non-residential buildings by 27.8%; this represents construction of big buildings, in particular administrative buildings, warehouses and factory buildings.

- ***Supply of work for 9.5 months lower year-on-year***

Construction enterprises (building and civil engineering) in Q1-Q3 2006 made almost 63 thousand new construction orders in the CR of a total value of CZK 206.1 billion, which were by 11.2% higher year-on-year. At the same time bigger material and organizational changes were recorded. From the given value most (92.3%) fell upon new construction, reconstruction and modernization (CZK 190.3 billion), which was by 13.8% more year-on-year. The value of new civil engineering orders (CZK 83.8 billion) increased by a nearly third, which was also lower than the value for the three quarters of 2004 (by 15.6%). New orders on residential buildings had the value of CZK 30.0 billion and were lower by 7.5% year-on-year. The state of orders in the CR of CZK 211.9 billion as at 30 September 2006 was slightly higher (by 1.0%), during the year it dropped and represented the supply of work for construction enterprises for nine and half months.

- ***Huge drop of the number of completed dwellings***

The housing construction development in Q1-Q3 2006 was characterised by a huge year-on-year drop of completed dwellings (by 13.5%), of which in Q3 2006 by 28.6% and a higher number of dwellings under construction (8.3%) than dwellings started (6.5%) during acceleration of their growth. The coefficient of construction fluency therefore changed markedly; in Q1-Q3 2006 per 1 000 completed dwellings there were 1 756 dwellings started which was by 329 dwellings more than a year ago (almost by one fourth).

- ***Marked incraese of sales in retail trade, particularly durables***

Volume of sales of enterprises providing services increased in Q1-Q3 2006 by 4.4% year-on-year, of which in Q3 by 4.1% and their growth accelerated in the whole period by 1.4 p.p. and in Q3 significantly slower (by 0.5 p.p.). The sales development in services was in the current year considerably different in terms of time and branch. With an extraordinary high growth rate, sales in retail trade increased in the three quarters including repairs of household goods (by 6.6% at constant prices) with a marked acceleration of the growth (3.1 p.p.). The biggest contribution had sales for non-food goods, whose increase (7.9% at constant prices) for the whole period was faster than last year. Sales for food increased by 4.9% at constant prices for the whole period, of which in Q3 by 3.9% and a marked slow down of their growth occurred particularly in specialised stores. This development was connected with an increasing bank credits provided to households and capital expenditures into dwellings, which are connected with purchase of furnishings and household equipment. A slight growth of food prices and a decrease of prices for non-food goods also significantly influenced the change of relationship between the two basic assortments of retail sales. Growth of sale in the automotive segment continued with a relatively high growth rate (5.8%) already for the second year and it is also connected with the income differentiation. Overall, in retail trade enterprises in hotels and restaurants still have not managed to increase their sales (a drop of 0.8% for the three quarters), even though there were certain indications for improvement in Q3.