

Performance in Main Branches

- **Strong performance growth in main branches**

The H1 2006 production performance in main branches despite of being differentiated significantly accelerated, especially after a sizeable weakening on a year before. The growth quickening was relatively high and was most favourably influenced by an unprecedented expansion in processing industry reached partly by domestic realized demand (both in consumption and investment), partly by external demand substantially supported by economy revival in Euro-zone. In construction after a slight recession in H1 2005 a revival was recorded that has been continuing; building construction, especially work on housing construction contributed to that growth most. Retail, especially sales of non-food goods, had a decisive influence on a growth in market services.

- **Considerable influence of machinery on a growth of industrial production**

The H1 y-o-y economic performance of industry measured by production index increased by 11.9%; in terms of real comparison by 12.5%, which demonstrates a considerable speedup of growth (by 5.2 p. p. or 5.9 p. p., respectively). Industrial production increased more and concurrently grew faster in Q1 than in Q2. Machinery of which manufacturing enlargement of transport means by 27.1% followed by manufacturing enlargement of electrical and optical devices (2.7 p. p.) by 19.0% had most favourable effect on increase of industrial production (by 10.1 p. p.) followed by manufacturing of electrical and optical devices (by 2.7 p. p., 19%). Among main industrial groupings, production for long-term consumption (by 33.8%) and for investments (by 22.9%) arose most. Increase in domestic sales in industry supported more domestic sales (12.8% and 6.5 p. p.) than direct export sales (12.2% and 6.0 p. p.). Impact of direct export sales on the structure development of industrial production was significant. Concurrently, quite reversely acted implicit deflator and physical volume on changes of domestic sales and direct export sales. From point of branches processing industry (by 12.1 p. p.); in sectors foreign-controlled enterprises (by 11.5 p. p.) contributed to total sales growth most. Total amount of wages in proportion to sales in industry decreased by 2.5%. Growth of labour productivity by 10.4% ended in a considerable decrease of unit wage costs by 3.7%.

- **Considerable growth of domestic orders acceleration**

The y-o-y amount of newly contracted orders in selected industrial branches was by 21.2% higher in H1 2006, of which foreign orders by 15.4%, that the former represents an acceleration by 13.8 p. p. and the latter only a small one (by 3.0 p. p.) of its growth. It follows that enlargement of volume of foreign orders outstripped that of total orders recorded in H1 2005 (0.956) changed in H1 2006 in a striking advance (1.050) what is approaching tendencies in relation between the development of total sales and that of direct sales.

- **Very different growth by size of construction enterprises**

In terms of real comparison the total y-o-y volume of construction in H1 2006 enlarged by 4.3%, of which construction work according to suppliers' contracts ("S") by 4.2%; in small enterprises (less than 20 employees) by 4.6%. A greater speedup of growth in small enterprises (7.1 p. p.) than in middle-sized and bigger ones (4.7 p. p.) was recorded. Both, the development and the structure of construction differed not only by size, but also by time. Volume of construction enlarged most in middle-sized enterprises with 100+ employees (by 16.4%); it grew substantially faster in Q2 than in Q1 (6.5%, or 0.5%, respectively). Construction work abroad whose volume enlarged 1.6 times, supported substantially (by 1.0 p. p.) that growth of construction work "S", compared to preceding time period. Volume enlargement in the CR (by 3.2%) resulted almost exceptionally from new construction, reconstruction and modernization by 3.8% (3.3 p. p.), despite faster growing repairs and maintenance (5.3%). Volume of other construction work lessened almost by one half. Construction work performed by own employees (ZSV) is very specific; its volume distended by 5.0%. Total volume of paid out wages proportion to volume of production a current prices enlarged only moderately, however number of job opportunities in construction arose. Labour productivity was by 3.2% higher, which by an average wage growth by 6.2% ended in increase of unit wage costs by 2.9%.

- **Considerable growth of construction value per one permission**

In H1 2006 planning and building control authorities granted 59.7 thousand permissions; the approximate value of newly permitted constructions was CZK 166.2 milliard. The construction worth per one building permit mounted (by 14.8%) is signalling prices speedup fluctuation of construction work.
- **Moderate decrease in construction work supplies**

In H1 2006 enterprises involving building construction and structural engineering signed 38.1 thousand new domestic orders representing total value of CZK 125.0 milliard, which is by number -2.8% on a year before, by value +17.0%. Number of contracts has been reducing for second year; after a substantial fall of value in H1 2005 (by 17.2%) and an above mentioned growth in H1 2006 has not been reaching the 2004 level. In H1 2006 an average value of one newly contracted order reached CZK 3.3 milliard and was by 20.4% higher y-o-y. Total value of new orders increased markedly in structural engineering (by 48.9%) and in new construction (by 20.1%), but dropped in housing construction (by 11.3%). Domestic orders volume amounted of CZK 214.6 milliard up to 30 June 2006 was by 4.0% higher y-o-y and enlarged less than volume of construction work "S" of structural engineering and building construction. Supply of construction work suffices for more than ten months for given organizational units, but it is less than 2.3% y-o-y.
- **Noticeable growth of services**

In H1 2006 the y-o-y sales in enterprises providing services increased really by 4.5% and its growth accelerated by 1.7 p. p. Retail sales, whose volume in terms of real comparison enlarged by 7.1% had the most positive influence (by 2.7 p. p.) was substantially more on a year before (by 3.8 p. p.). Takings of sales and repairs of motor vehicles and automotive fuels increased by 6.0% really; in spite of this growth was slower on a year ago, its influence on total sales was also sizeable (1.1 p. p.). The remaining 0.7 p. p. fell to other branches, of which transport and communications enlarged really by 3.3% and grew slower than a year ago (by 1.5 p. p.); in selected market services stagnated ad in hotels and restaurants dropped (by 2.6%) was less on a year before but in comparison to H1 2004 by 9.2%.
- **Extraordinary increase in non-food sales**

In accordance with the gross disposable income of households, increase of loans and drop in gross savings interest rates, the retail sales structure including repairs of products for personal use and households changed. In connection with the growth of capital outlays of housings for the non-food sales increased (in terms of real comparison by 8.4%) than food sales (5.4% really). A certain motivation for increased purchase of non-food goods can be carried over not only low interest deposit rates non-motivating to save, but also seasonal drop in prices and sales of durable goods; as sales at current prices jumped by 6.8%. The coefficient representing a ratio between two mentioned components 1.001 (in H1 2005) changed in H1 2006 (1.028).