Performance in Main Branches

- ***Growth of direct export sales volume surpassed expansion of growth of domestic sales***

The 2005 development of industrial production can be distinguished by a slowdown in growth as a result of drop of economic prosperity in the Euro-zone, where a great deal of the Czech goods is being exported. In 2005 the year-on-year economic performance of industrial production measured by industrial production index increased by 6.7%; expressed by means of sales of own products and services within industry by 8.1% in terms of real comparison, that was less by 2.9 p. p. or 1.8 p. p., respectively than a year ago. While in Q1 growth of industrial production and sales was lower, in Q2 growth paces were high. Domestic sales at current prices rose faster by 2.2 p. p. than direct export sales, owing to the fact that product prices given for domestic market jumped by 2.7%, whilst those for external market dropped by 1.3%. The year-on-sales direct export sales at current prices increased by 6.8% that was lesser than the growth of total export of goods represented. In terms of real comparison direct export sales jumped by 10.2%, domestic sales by 7.3%. Despite of gradual decelerating of goods exports growth to the EU states, especially to Germany, orientation of the Czech industry on exports has not been slackened.

- ***Growth in mechanical engineering production, mainly means of transport had a strong multiplication effect on the economy***

Further an industrial production structure has been changed; processing industry enhanced most, mining of energy producing materials and manufacturing of energy weakened. The year-on-year production of processing industry increased by 7.5% and the total mining of minerals increased imperceptibly (by 0.5%). Manufacture and supply of electricity, gas and water lessened by 1.2%. In processing industry striking structural shifts occurred. A massive production growth of means of transport (by 23.0%) as well as production and servicing of machinery and equipment (by 14.1%) contributed most to the enlargement of mechanical engineering production. Rise in production with a relatively low weight – manufacture of coke and manufacture of petrol, manufacture of rubber and plastic products that are supplementing or substituting metallurgical and metalworking products whose manufacture shrank. Manufacture of electrical and optical appliances increased but its rose sizeably slowed down. It was manufacture of intermediate goods what grew minimally (by 1.5%), coincidently manufacture of durable goods rose above average way.

- ***Influence of foreign enterprises further strengthen***

The 2005 sales of foreign controlled enterprises rose with substantially higher growth paces (by 14.9% in real terms) compared to total sales in industry, what means that in remaining enterprises fall in sales occurred. Direct exports sales in foreign enterprises also surpassed its total growth, however not so distinctly.

- ***In manufacturing of electricity the difference between the higher and the lower growth of primary incomes in companies and employees considerably rose***

The 2005 year-on-year labour productivity in industry rose by 8.2% thereby predominantly affected the sales expansion, as number of employees somewhat declined. An average nominal monthly wage increased by 3.3%. There were significant structural shifts in individual sections development. In manufacture and supply of electricity, gas and water labour productivity increased markedly coincidently with the increase in average wages (compared to that in total in industry) unit wage costs fell by 11.3%. On the other hand a negligible increase of labour productivity at a fast growth of average wage in mining of minerals caused the jump of unit wage costs by 4.6%. This great difference between such a dissimilar development in these two sections had no affect on industry as a whole, because in processing industry labour productivity rose by 7.7%, average wages went up by 4.6% and unit wage costs decreased by 2.9%.

- ***Volume of foreign orders surpass growth of direct exports***

The 2005 year-on-year volume of new orders was up by 7.3%; foreign orders were up by 9.3%. In comparison to the 2004 development volume of new orders expansion lessened (by 13.8 p. p. or 13.7 p. p., respectively), which in relationship to a slowdown of growth of sales in industry and direct export sales at current prices (by 6.3 p. p. or 12.9 p. p., respectively) at the above mentioned price shifts means a fall in orders coverage of industrial production. The year-on-year volume of labour supply in industry towards sales realization somewhat lessened. Growth in newly closed domestic contracts accelerated. The relationship between development in new orders and sales in industry demonstrates possibility to conclude that labour supply in industry in relationship to production potential lessened.

- ***Acceleration of growth in construction in Q4***

The 2005 construction output increased by 4.2% in real terms, which was by 5.5 p. p. on a year before. In the course of the year its growth gradually accelerated. In construction enterprises with 20+ employees the 2005 volume of production expanded in accordance with suppliers contracts by 5.1% in real terms, which was by 3.8 p. p. less than a year ago.

- ***A substantial increase of volume of new work in structural engineering***

Structure of construction work in accordance to supplier contracts shifted in favour of new constructions, reconstructions and modernisations, whose volume enlarged by 6.5 % in real terms, when only volume work in structural engineering enterprises rose predominantly (by 9.6 %), whilst that in building construction lagged behind (by 1.7%). Drop in work on reconstructions and maintenance continued. Regarding size structure enterprises with 1000+ employees had a prevailing influence (by 3.6 p. p.).

- ***Supply of construction work for 8.1 months***

In 2005 number of permissions in 2005 decreased year-on-year (by 7.0%), but estimated value of constructions increased (by 3.4%) so that value of construction work per one building permission increased. Estimated value differed in new constructions where imperceptibly dropped (by 1.2%) and in changes of finished constructions where went up considerably (by 33.6%). The year-on-year volume of new construction domestic orders amounted to CZK 248.8 bln in 2005, which was less by 10.1%. Structural engineering constructions had a negative influence, where a striking dip occurred. Volume of orders amounted to CZK 205.4 bln; domestic ones amounted to CZK 194.0; at the end of 2005 was lower by 3.3% year-on-year, or 3.6% respectively, which was also influenced by changes in VAT taxes. This volume of domestic orders represented labour supply for 8.1 months, what is by one month less on a year before.

- ***Moderate slowdown of growth of housing construction and increase in prices of new apartments is keeping on***

In the course of 2005 the housing construction can be characterised by slowdown in growth number of housings started and especially finished ones, as well as a mild speedup of volume growth of partially built apartments, which demonstrates excess of supply over demand on the housing market. The year-on-year continuity coefficient of housing constructions was higher in 2005; for 1 000 housings finished were 1 229 housings started, which was by 1.6% more on a year before. The relationship between numbers of started and partially finished housings mildly reduced. The year-on-year number of housing permissions went down (by 7.5%); volume of construction works in building construction where housing constructions are being carried out, dropped slightly (by 0.5%). Number of housing permissions went down by 7.5%, but its estimated value rose by 6.3%. A long-term faster prices increase of new built housings compared to prices increase of construction work continued also in 2005. These trends affirm new housing construction as well as an average estimated value of one housing unit. Costs connected with, obtaining an apartment in a new housing construction in 2005 represented 8.9 multiple of net annual financial income (standardized) of a census household, which was more by 0.4 year.

- ***Growth of sales in services lost speed***

The year-on-year 2005 volume of sales in selected branches of services expanded by 3.1% in real terms, which declarates a slightly lower growth on a year before. The most intensive annual growth paces had enterprises providing selected market services (3.9%) having a distinct speedup of growth mainly in Q4 (5.3 p. p.). Volume of retail sales jumped by 3.2% in total, which is by 0.8 p. p. faster than a year ago. The slowest growth of sales was recorded in transport and communication (2.1% in real terms) and its increase was substantially lower than in 2004 (by 4.1 p. p.).

- ***Drop in sales in hotels and restaurants continued, as well as fall in sales increase of mobile operators***

In individual branches of services their annual development as well as development in the course of quarters was remarkable owing to many turns, speedups and slowdowns on the other hand, which could not be related only to purchasing power of inhabitants and prices level of goods and services fluctuations. Sales in automotive segment increased by 4.1% in real terms over a year, slightly declined in Q4, which presents acceleration of growth by 2.6 p. p., or its striking slowdown (by 5.9%, respectively). This development was caused by increase in sales and servicing of motor vehicles by 4.7% and automotive fuels by 3.0%. Retail sales grew faster in non-food sector (4.1%) than in foods ((3.1%). Increase in retail sales reflected volume expansion of disposable household income, volume of consumer loans and a low increase of consumer prices. Since Q2 2004 volume of sales of hotel and restaurants has gradually been sinking, what did not stop even in 2005. During the whole year dropped by 4.1% in real terms, which compared to the last year growth represents the difference 5.5p. p. in real terms. The main reason is considered to be a VAT tax law change. Sales in public transport lag behind their growth in the last year; a decrease by 0.8% caused a fall in sales of secondary and supporting activities by 5.1%, as against last year growth a big fall in sales of goods in these activities resulted in the difference 10.0%. Sales of telecommunication and postal services increased by 8.4% mainly in telecommunications, especially in mobile operators. Sales in postal service have gradually been falling since the increase of postal services prices. Volume of sales in selected market services swelled by 5.8% owing to growth of sales in activities within information technology despite the fact that their year-on-year fluctuations were unusually high.

- ***A considerable decrease of gross added value***

The preliminary 2005 results of total account in agriculture show an increase in agricultural production, especially in plant production, after an extraordinary crop in the last year. The economic performance in agriculture measured by means of the total 2005 production was lower by 4.3% in real terms, which was predominantly influenced by lessening of plant production volume by 6.1%. Volume of the total consumption of intermediate products enlarged by 1.1% in real terms, as a result gross added value substantially dwindled (by 13.7%).