## Performance of the basic sectors

- ***Industry grew stably***

The economic performance of industry, measured by the index of industrial production, grew in 1st quarter of 2008 year on year by 5.8%. But the year on year rate of growth was lower by 5.5 percentage points, and in comparison with the course of the entire 2007, the growth rate slowed down by 3.2 percentage points. The slowdown was caused by high growth rates especially during the last two years, and also by the lower number of working days. The seasonally adjusted quarter on quarter change is showing a stable tendency. It was 2.5%, which was the highest value of the last 4 quarters. Revenues in industry more or less copied the development of production.

- ***The driving force was the production of electrical and optical devices and equipment***

The biggest driver of industrial production growth in the 1st quarter of 2008 was the production of electrical and optical devices and equipment, which grew year on year by 20.0%, and had a 2.6 percentage points share of the total growth of industry. As usual, production of transportation means and equipment did not stay behind, as it had a 1.9 percentage point share of growth and itself grew by 8.5%. On the other hand, a decline was once again noted in the sector of the production of textiles, textile and clothing articles, which was 11.5% and contributed by -0.3 percentage points to overall growth.

- ***Decrease of the inventory of work in industry***

The value of new orders in selected industry sectors grew by 1.1% year on year, with foreign orders falling by 3.9%. The inventory of work in industry decreased.

- ***Dynamic growth of the average wage in industry***

The employment level in industry increased year on year in the 1st quarter of 2008 by 2.5%, i.e., by 29.0 thsds persons for an average number of 1,187 thsds employed on record. In addition to this, another 48.8 thsds employees of work agencies and other companies worked in industrial organizations.

The average monthly nominal wage of persons employed in industry grew in the stated period by 11.6% year on year. This development was the best out of the several previous years. The real wage increased by 3.9%.

- ***Slowing down of the growth of building production***

Building production in the 1st quarter of 2008 was higher by 4.0% year on year, even despite the fact that the growth in the 1st quarter of 2007 was record level. In comparison with the average quarterly rate in 2007, a decline of 4.5 percentage points was recorded. The seasonally adjusted building production was higher by 0.8% quarter on quarter.

This development was influenced by favorable weather and the freeing up of finances for construction and modernization of transportation infrastructure. In total, construction work for 98.2 billion CZK was executed. The highest year on year gain of construction work in companies with 20 and more employees was registered for structural engineering (3.7%).

- ***The employment level and wages in the construction industry have increased***

The average number of employees on record working in construction companies with 20 and more employees was a total of 154.5 thsds persons in the 1st quarter of 2008, which, year on year, was an increase of 0.6%. For the same companies, the average monthly nominal wage per employee was higher by 13.8% year on year, or 5.9% in real terms.

- ***The average value of a construction order has increased significantly***

Building authorities issued 26,329 building permits, which was an increase of 1.2% year on year. The monitored construction companies in the Czech Republic concluded 15,191 new orders, which was a year on year decrease of 13.4%. The value of these orders was 62.0 billion CZK, which is 23.6% higher than last year. This high growth was caused by financially-intensive engineering constructions of mainly transportation infrastructure. The value of all concluded orders reaches an amount of 205.2 billion CZK and represents and inventory of work for seven and a half months.

- ***More started and completed apartments***

In the 1st quarter of 2008, the construction of 9,570 apartments (year on year increase of 4.4% ) was started, and 9,158 apartments (a 9.8% increase) were completed. As of March 31, 2008, 171,383 apartments (an increase of 1.0%) remained in construction. A total of 5,165 apartments were modernized during the stated quarter (a year on year decline of 2.8%).

- ***Retail revenues have slowed down***

In the 1st quarter of 2008, retail revenues in constant prices grew by 2.8% year on year in the sectors of commerce, repairs and maintenance of motor vehicles, and by 2.3% for the sales of fuels. Despite higher prices, retail revenues for food remained the same year on year and for non-food goods revenues grew by 3.3%. Revenues for accommodation services decreased by 2.0% and revenues for meal consumption grew by 1.6%.

- ***The revenues of merchant services had a record high***

In the 1st quarter of 2008, revenues for merchant services grew year on year in constant prices by 8.6%. The biggest share of this growth is by other entrepreneurial activities, and among them especially architectural and engineering services, technical consulting services, tests and analyses with a year on year growth of 16.5% (a contribution of +2.7 percentage points) and legal, accounting, tax, and business consulting by 8.4% (a contribution of 1.8%). Revenues for services in the area of computer technology grew year on year by 6.2% (a contribution of +1.2 percentage points), for other services (mainly of a personal nature), such as laundry, hairdressers, etc. by 4.2% (a contribution of +0.1 percentage points).

- ***Revenues in transportation declined, but increased in communications***

Revenues in transportation in the 1st quarter declined by 0.3% year on year in real terms. The largest decline, 22.6% (a contribution of -0.7 percentage points) was registered by pipeline transport, whereas revenues for air transportation grew by 9.1% (a contribution of 0.4 percentage points).

During the same period, revenues in communications grew by 3.0%, of which the largest share was held by the growth of revenues in telecommunications of 3.5% (a contribution of 3.1 percentage points). Revenues for postal and courier services declined by 1.4%.

- ***The aggregate indicator of confidence decreased***

Conjunctural research shows that in the 1st quarter of 2008, the balance of the aggregate confidence indicator (indicator of economic sentiment) decreased by 2.9 points year on year. The balance of the business indicator decreased by 2.1 points (in industry by -0.2 points, in construction by +5.1 points, in commerce +0.6 points and in services by -6.3 points), the balance of the consumer indicator decreased by 5.9 points.