

Performance of Main Branches

- **Considerable growth of industrial production**

In 2006 the industrial performance measured by the industrial production index grew by 9.7 % (year-on-year). A slightly higher increase was recorded by sales revenues from industrial operations, in real terms by 10.3 % higher than in 2005. The highest acceleration of the production growth rate occurred in Q1, however, Q4 showed a certain deceleration. The same development was shown by sales revenues increase.
- **Best results achieved by mechanical engineering**

In 2006 the industrial production grew year-on-year particularly in mechanical engineering, namely manufacture of transport equipment (by 20.6 %), manufacture of machinery and equipment (by 18.0 %) and manufacture of electrical and optical equipment (by 16.3 %). Of the other most developing branches highest production increases were recorded by manufacture of rubber and plastic products (by 14.6 %) and wood processing (by 13.3 %). On the other hand the biggest decline was shown by manufacture of textiles and textile products (by 1.6 %).
- **Sales revenues growth mostly due to direct exports**

Among the main industrial groupings the highest growth in 2006 was recorded by manufacture of durable consumer goods (by 27.6 %) and capital goods (by 18.3 %). In Q4 sales revenues grew due to the increase of sales revenues from direct exports, in real terms by 12.3 %, in annual aggregate by 11.6 %. The highest sales revenues increase was achieved by manufacturing (by 10.9 %), in terms of organization by enterprises under foreign control (by 16.6 %).
- **Increase of industrial wages lags behind sales development**

The average headcount in industry in 2006 grew by 1.0 % year-on-year. The average monthly wage in industry in 2006 amounted to CZK 19 400 and increased by 6.0 % year-on-year (in real terms by 3.4 %). Labour productivity in industry measured by sales revenues per employee increased in 2006 by 9.2 % year-on-year.
- **High increase in construction**

Also due to favourable weather conditions the construction output increased in late 2006 in real terms compared to Q4 of the preceding year by 9.5 % and in aggregate for 2006 by 6.6 %. The year-on-year increase of construction works under delivery contracts ("S") in 2006 in construction companies with 20+ employees in real terms amounted to 6.6 %, the highest growth was recorded by the volume of works abroad (by 73.7 %). In terms of organization better results were achieved by building enterprises (increase in real terms by 6.7 %) than civil engineering enterprises (5.0 %) however, upon a markedly different development in new domestic construction (9.0 % and 1.6 %) and in repair and maintenance (–11.0 % and 28.6 %). Labour productivity (measured by „S“) increased in 2006 by 6.3 % year-on-year. The gross monthly nominal wage increased by 7.3 % year-on-year to CZK 20 304.
- **Continued trend of less building permits with a higher value of constructions**

In 2006 investors were granted 135.4 thousand building permits with an approximate value of newly permitted constructions of CZK 360.9 bn., which was by 5.3 % less, however, their value was by 10.8 % (by CZK 35.1 bn.) higher than a year ago. Structurally the construction value per building permit developed differently; upon the aggregate year-on-year growth by 17.0 % the value for residential buildings increased by 10.4 % and for non-residential buildings by 22.9 %, which represents construction of big structures, in particular administrative buildings, warehouses, plants and transport infrastructure.
- **Less construction orders with a significantly higher value**

Construction enterprises (building and civil engineering) in 2006 made more than 88 thousand new construction orders, i.e. less by 5.9 % year-on-year, but the value of the orders increased by 20.2 % to CZK 299.0 bn. Orders in the Czech Republic in the end of 2006 at the total number of 15 495 and volume of CZK 217.8 bn. (year-on-year increase by 12.2 %) represented the supply of construction work for almost 10 months.
- **Increase in housing construction**

The favourable mortgage market environment and anticipated changes in VAT charged on housing construction contributed in 2006 to the growth of issued building permits for 43 747 new dwellings (year-on-year increase by 8.3 %). This number included 36 556 newly completed dwellings (8.5 %) and 7 191 new dwellings

produced by refurbishment of existing buildings (-9.4 %). 30 187 dwellings were completed, which meant a year-on-year decrease by 8.1 %. This decrease was caused by preference of new housing construction to completion works. The total number of dwellings in construction as at 31/12/2006 increased by 8.7 % year-on-year to 168 762 housings.

- ***Sales revenues from services accelerated their growth***

Sales in services in 2006 grew in real terms by 5.0 % year-on-year, of which by 6.1 % in Q4. This growth was mostly caused by IT activities (annually by 9.1 %). Transport was another successful branch showing a sales increase by 5.2 %, with the highest contribution of railway transport. Considerable increases were again recorded by retail trade including the segment of motor vehicles (6.4 %).