Performance in Main Branches

- ***Growth of direct exports sales exceeded growth of domestic sales***

In the course of three quarters 2005 the y-o-y economic performance in industry (measured by industrial production index) increased by 5.3 %; in real terms by 7.6 % as volume of sales of products and services in industry. Whilst in Q1 both production growth and sales was sluggish y-o-y, in Q3 moderately accelerated so that in this time period was the greatest one. During three quarters domestic sales rose by 1.2 p. p. at current prices more than direct export sales for the sake of prices of industrial producers jumped by 3.9 %, while direct export prices went down by 2.7 %. Volume of direct export sales expanded by 7.6 % at current prices for three quarters 2005 y-o-y that represented total exports growth. Relationship between total exports growth and direct export sales growth oscillated (by 12. 3 p. p.) from 1. 081 in Q1 to 0. 958 in Q2 to 1.020 in Q3. In terms of real comparison volume of direct export sales increased by 10.6 % that indicates trend of orientation towards to exports, however volume of domestic sales rose only by 4.7 %.

- ***Growth in machinery production, mainly production of transport means enhanced the economy***

The y-o-y volume of production of manufacturing industry expanded by 5.6 % during three quarters; both mining of minerals and manufacturing and supply of electricity, gas and water went down (by 0.5 % and 1.1 %). Striking structural changes in manufacturing industry took place. A massive growth of production of transport means, as well as production and servicing of machinery and machinery equipment most contributed to the increase of volume of machinery production. Manufacturing of coke and petrol products, manufacture of rubber and plastic products (that supplement and/or replace metalworking products whose production went down) much increased. Even though manufacture of electrical and optical devices extended, its growth evidently slowed down. Among main industrial groupings manufacturing of intermediate products (by 8.7 %) and energy (by 7.0 %) raised most in the process production of investments increased only by 2.2 %).

- ***Influence of foreign enterprises further increase***

For three quarters 2005 sales of foreign controlled enterprises rose with higher growth paces of gain (by 14.4 % in real terms) compared to the total growth in industry, what means that volume of sales in remaining ones went down (by 0.7 %). Also direct export sales in foreign controlled enterprises outstripped its total growth.

- ***The difference between the higher and lower growth of volume of primary income of enterprises and employees jumped at manufacturing of electricity***

During three quarters 2005 the y-o-y labour productivity in industry increased by 7.5 % and significantly supported growth in sales. An imperceptible increase in number of employees (by 0.1 %) had an undetectable influence on sales gain. Their average nominal wage went up by 4.5 %. Unit wage costs dropped by 2.8%, although a big difference among a growth of costs in manufacturing of mining minerals (by 2.8%) and a sizeable fall of costs in manufacturing and supply of electricity, gas and water (by 10.4%) occurred. The difference between a faster growth of sales (at current prices) and a slower growth of paid out wages (3.6 p. p.) lessened, but in enterprises manufacturing and supplying electricity, gas and water reached 18.5 p. p. when the nominal volume paid out wages decreased by 4.1% and concurrently sales at current prices rose by 14.4%.

- ***Growth of foreign orders volume outstrips growth of volume of direct exports***

The y-o-y volume of newly contracted orders increased by 6.3 % during three quarters 2005; volume of both foreign orders and domestic orders was up by 9.5 % and 0.7 %. Increase of foreign orders volume slightly slowed down as against first half-year, on the contrary that of domestic orders accelerated rapidly. In the course of three quarters such a development was surprising especially in relationship to total sales volume, whose growth at current prices was higher (by 8.2 %) than growth in new orders, on the contrary the direct exports growth (7.6 %) was lower. Relationship between a development in new contracted orders and total sales in construction enterprises for three quarters 2005 supports the y-o-y order coverage of industrial production somewhat went down.

- ***Growth in construction speeded up in Q3***

In terms of real comparison the y-o-y volume of construction enlarged only slightly (by 2.2 %); its increase was much slower. In Q3 it increased by 7.5 %, which was by 3.0 p. p. more than in equal period of the last year. In construction enterprises with 20+ employees the production rose in accordance to suppliers' contracts ("S") by 2.8% in real terms in Q1 to Q3 and by 6.8% in Q3.

- ***Considerable increase in volume of work on new constructions in civil engineering***

Structure of production "S" changed in favour of work on new constructions, reconstructions and modernizations. In terms of real comparison its volume increased by 4.9 %, as enterprises in civil engineering entirely held up this growth (12.2 %). After a slight decrease in work on reconstructions and maintenance in 2004 a sizeable drop (by 11.3 %) continued during three quarters 2005, mainly in civil engineering enterprises (by 15.6 %). Enterprises with 1 000 + employees (from viewpoint of size) and foreign controlled private enterprises (from viewpoint of sectors) contributed most to construction outlays (by 17.0 % and 12.1 %).

- ***Considerably different development of unit wage costs (UWC) in enterprises sorted by size***

Labour productivity in enterprises with 20+ employees dropped by 1.5% in Q1 to Q3, in Q3 rose by 1.6%. Number of job opportunities pilled up owing to considerable amount of labour supplies, as a result number of employees increased by 4.4 % during three quarters; by 5.1 % in Q3. An average monthly wage increased by 4.1 %, or 5.1 %, respectively, what led to increase in unit wage costs (UWC) by 5.7 %, or 3.4 %, respectively. From the viewpoint of size differences among labour productivity growth, average wage and unit wage costs deepened; on the other hand these characteristics positively developed in enterprises with 1 000+ employees (drop in UWC by 3.7 %).

- ***Lesser permitted constructions and labour supply for 10 months***

Number of building permits reduced (by 6.8 %) in Q1 to Q3, but estimated value of constructions swelled by 9.5 %. Number of newly contracted domestic orders amounted to CZK 183.0 bln was down by 14.3 %; structural engineering affected it most unfavourably as a drop by more than one third occurred. The y-o-y volume of orders was only by 3.2 % higher at the end of Q3 2005, however labour supply keeps going for more than ten months.

- ***Growth trends in housing construction is being slackened***

Characteristic trait of housing construction in the course of 2005 is a slowdown in growth number of initiated and finished dwellings; as well as non-finished ones, which reflects excess of supply over demand at the housing market. Continuity coefficient of housing construction 1.022 in Q1 to Q3 2005 was lower by 0.085 p. p. y-o-y; there were flats 1 000 finished flats per 1 427 initiated ones, which was less by 2.2 % than last year. Proportion of number of initiated dwellings to number of non-finished ones moderately went down. The y-o-y number of housing permissions decreased (by 7.5 %); volume of construction work in building construction where housing construction is being performed to a large extent went down only moderately (by 0.5 %). Number of permissions for housing construction concurrently decreased by 7.5 %; its estimated value went up by 6.3 %.

- ***Sales growth speeded up in Q3***

During three quarters 2005 the y-o-y volume of sales in services was up by 3.1 % in real terms; by 3.7 % in Q3 when a significant acceleration of growth (by 1,6 p. b) happened. The highest paces of gain in sales was recorded in retail during three quarters (in total 3.4 %), it accelerated especially in Q3 (2.0 p. p). Volume of sales in retail (incl. motor segment) was profitably influenced by sale and servicing of motor vehicles (5.9 %) and automotive fuel (by 5.5 %). Volume of sales in non-food expanded faster (3.8 %) than those in food (3.0 %); volume of sales in special food increased imperceptibly. Growth in gross disposable household incomes, drop in rate of gross savings, enlargement of volume of consumer credits and a low growth of consumer prices have been demonstrating in growth of retail sales. Since the second half-year 2004 volume of sales in hotels and restaurants has been sinking; during three quarters 2005 decreased by 5.2% in real terms, which is a big difference in comparison to the equal period of the last year (by 8.1 p. p.). A change of the VAT tax law is considered to be a crucial reason for such a significant slowdown. Volume of sales in public transport lagged behind its growth last year; a drop by 0.9 % was caused by reduction of volume of sales of other and auxiliary activities in public transport by 5.0 %; a marked fall of purchases of goods within that area resulted in the difference 18.6 p. p, compared to the last year. Volume of sales in communications, especially in telecommunication - mobile operators increased most (by 8.9 %). Since prices of postal services jumped, sales in this area relentlessly go down. In terms of real comparison the y-o-y volume of sales in selected market services enlarged by 3.4 % during three quarters 2005, in Q3 considerable amount of 6.2 %. Volume of sales in computer technology rose most (by 4.9%) although there were big differences in the y-o-y development (in Q1 by 11.5% up, in Q2 by 2.8% down).

- ***After big yields of cereals in 2004 decrease of harvest in this year***

This year yield of cereals decreased by 8.1 % (according to an CZSO estimation of 15 October 2005) after historically record level reached last year; sowing area lessened only by 1.1 % having less important influence on drop in production of cereals in comparison to the weight of decrease of crop per ha (by 6.9 %). Crop of potatoes was extremely high (by more than one fourth); it was partly supported by an enlargement of tracts; a considerable increase of yields per ha contributed to it more favourably (by 23.7 %), also favourable climate conditions propitiously affected crop of potatoes. On the other hand yield of technical sugar beets shrunk (by increased crop per ha and diminished production area).

- ***Reduction of meat production accelerated***

In the process of ten moths of this year the y-o-y total meat production dropped by 12.5 %, which signalled a drop by 4.1 p. p. Also a structure changed when a sizeable reduction in beef and veal production (by 18.3 %) was recorded compared to production of pork (down by 11.0 %). Volume of purchased milk sustained at about the last year level.