

3. Branches Performance

The after crisis recovery continued in services for a major part of the last year. It was not significantly disrupted during the worsening of epidemic situation in Q4.

From the view of the whole year, manufacturing still contributed the most to the GVA growth. Agriculture kept reaching good results, majority of services, especially the public services also prospered.

After-crisis recovery of industry displayed uneven development last year.

The domestic economy continued in recovery in the second half of the year, which had been started already during the Spring period, when the epidemic situation substantially improved, and the restrictive measures clutching part of the economy were thus gradually abolished. Quarter-on-quarter growth of the gross value added (GVA)¹ recorded 1.0% in Q2 and it accelerated to 1.5% in the subsequent period. Mainly trade, transportation and further activities linked to tourism assisted this result, public services also had a stimulating effect². The total growth of performance of all branches slowed down to 0.7% in Q4. Deepening supplier difficulties subdued the output of manufacturing (−1.6%), the growth also ceased in construction. The unexpected substantial deterioration of the epidemic situation however did not lead to the shutdown of shops anymore and all key branches of services continued to grow – especially the financial sector and real estate activities fared well. The GVA in the whole economy still lagged behind its pre-crisis maximum (by 2.2%)³, number of branches of services nevertheless already overtook their record performance from year 2019⁴.

In year 2021, the GVA increased by 3.0% in the whole economy year-on-year. Manufacturing contributed to the growth the most (+1.1 p.p.) even despite growing logistic difficulties. Branch agriculture, forestry and fishing, experiencing increasing labour productivity and rising value added for the fourth year in a row, fared well. Last year's harvest of agricultural crops was comparable to the good harvest of year 2020⁵, definitely above average then in the context of the last decade⁶. Mild growth of meat production (+2.6%) continued in the animal production for the fourth year in a row, the direct purchase of milk from domestic producers however lowered by 2.0% in comparison to the record level from year 2020. In addition, the weakening bark beetle outbreak had also likely had an effect on the output of the whole primary sector (record natural wood harvesting from year 2020 did not repeat last year any more). Among services, the GVA grew the most in financial activities last year and it contributed to the growth of the whole economy by 0.4 p.p. The recovering branch trade, transportation, accommodation and food service also had a similar effect and also public services, where the higher number of hours worked significantly contributed to the GVA growth (by 2.9%).

Next to the data regarding the value added, the more detailed data from the business statistics also evidence the ongoing recovery of industry in year 2021. This recovery however followed an uneven path, both from the view of individual parts of the year and the branches. The motor vehicle industry faced supplier difficulties throughout the whole year, stemming from the fast revival of the most developed world economies accompanied by production as well as logistic struggles in Asian regions. In addition, some types of economic activities strongly hit during the pandemics (e.g. manufacture of clothing, beverages) still experienced inadequate demand.

¹ Data regarding the GDP, gross value added and their components are expressed in constant prices and adjusted for seasonal and calendar effects.

² Include public administration, education, health and social work.

³ On the contrary, the GVA already returned to the level from the peak of the pre-crisis expansion in the EU, specifically in Q3 2021. It then overtook this level in Q4 (by mild 0.4%), which was also valid in two thirds of the Union members (e.g. in Poland by 4.1%, in Hungary by 3.0%). In the euro area countries however it still slightly lagged behind this height, as a result of slower recovery of some large economies – France (+0.1%), Italy (−1.0%), Germany (−2.1%) or Spain (−4.0%).

⁴ The GVA was already by 10% higher in financial and insurance activities last year in Q4 compared to the end of year 2019, analogically by 6% in the public services, by 5% in information and communication and by 1% in the real estate activities. Performance of all services branches was comparable to the pre-pandemic maximum (+0.1%), on the contrary the industry lagged behind by notable 7.5%.

⁵ Harvest of cereals was higher by 1.2% year-on-year last year, on the contrary it fell for potatoes by 3.5% and oilseed rape by 17.7% (in the absolute amount it represented the weakest harvest since year 2006). Other oil plants however fared well (mainly thanks to the expansion of the sowing area), legumes, sugar beet, hop plant, majority of forage crops and it was harvested more of all types of vegetables as well. Fruit farming experienced mild decrease, mainly due to the lower harvest of plums.

⁶ Last year's harvest of cereals (including corn) was 8.23 million of tons (the sixth largest harvest in the era of the independent CR). Compared to the average from years 2011 till 2020, it was by 5.3% higher, solely thanks to the increase of the yield per hectare. The harvest of potatoes (+3.4%), technical sugar beet (+6.5%), green maize and silage (+3.4%) also slightly exceeded the long-term average, more notably then for perennial forage crops (+21.4%) or the hop plant (+39.6%). Among the more significant plants, only the rape plan did not thrive (−19.4%), as a result of the significant decrease of the sowing area, partially also the lowering of the yield per hectare.



In Q2, the industry performance was on its last year's peak, when it benefited from the overall revival of the economy in the euro area.

After the fast restart of industry in the second half of year 2020, with participation apart from the key export branches from wide spectrum of sub-branches, the output of the whole industry temporarily dropped at the beginning of year 2021. The industrial production⁷ decreased by 1.1% quarter-on-quarter in Q1, since the swift after crisis recovery of motor vehicle producers (including their closest domestic sub-suppliers) and of the chemical industry halted. In the subsequent quarter, the mild growth of the industrial production renewed (0.9%). „Reopening“ of the economy after the retreat of the pandemic wage returns part of the lost consumer and entrepreneur confidence both in the CR and in the EU, which led to the revival of consumption and investment activity. Strongly export oriented domestic industry benefited mainly from the favourable economic development of the key export territories – Germany, resp. the whole EU⁸ in Spring.

In H2, the industry was hindered by growing difficulties with availability of components for the manufacturing of motor vehicles and also the strong growth of prices of energies and material inputs in the whole industry just at the end of the year.

This promising development was nevertheless in the second half of the year overshadowed by the deepening difficulties in the global supplier chains, which considerably disrupted the continuity of production, mainly in the dominant motor vehicle manufacturing branch. Output in the whole industry thus dropped by 2.2% quarter-on-quarter in Q3. Difficulties with the shortage production components slightly eased up at the end of the last year, the majority of industrial businesses however had to face a strong price growth of material inputs augmented by the unexpected escalation of the energy prices. Compared to Q3, the volume of the industrial production thus stagnated at the end of the year, and it even slightly decreased in the majority of significant branches (except for energy and chemical industries). In comparison to the pre-pandemic maximum from May 2019, the industrial production was still significantly falling behind in the last month of the last year (by 6.1%).

Without including the manufacture of motor vehicles, the year-on-year growth of the industrial production would also continue in H2 2021.

The industrial production went up by 6.6% year-on-year for the whole last year (it slumped by 7.2% mainly due to the Spring temporary shutdowns for year 2020). The industry performance however slightly shrank (by 0.1%, resp. 1.9%) in both Q3 and 4. It was to a large extent due to the effect of motor vehicle industry, whose dynamics was except for the above stated factors also affected by the high last year's comparative basis. Excluding this branch, the industry would thus continue to grow in the second half of the last year (+4.1%, resp. +1.8%)⁹.

Manufacture of metal products contributed the most to the last year's growth of the industrial output. Metallurgy, chemical industry, machinery or electrotechnical engineering also prospered.

The industry growth was driven the most by the manufacture of metal constructions and metal products for the whole year 2021 (contribution +0.9 p.p., branch growth +9.1%). It was also associated with the revival of both domestic and foreign demand in the long-term subdued branch of metallurgy, whose performance expanded last year the most after year 2010 (+11.4%). Machinery strengthened by roughly one tenth last year, but also branches partially linked to the manufacture of transport equipment – manufacture of rubber and plastic product or electrotechnical engineering industry¹⁰. Among other more significant activities, the chemical industry prospered (+8.3%), benefiting from the expansion of its production capacities. More than 10% growth was achieved by the manufacture of construction materials, which tried to respond to the surging demand especially on the domestic market. Output of food industry (+4.7%) as well as manufacturing of computers, electronic and optical appliances (+1.8 %) grew slower. While the food industry could rely on the relatively stable domestic demand, which was not more significantly affected even by the pandemics, the second mentioned branch had to overcome more long-term fluctuations of the foreign demand, which did not revive more even in the second “pandemic” year. The traditional

Recovery of the motor vehicle industry was subdued by the difficulties with the availability of production components during the whole year.

⁷ Includes branches of mining and quarrying, manufacturing and also energetics (here as activities of production and distribution of electricity, gas, heat and air conditioning supply). All year-on-year rates of growth of output (at the level of branch sections as well as divisions) are adjusted for calendar effects, both quarter-on-quarter and month-on-month rates then also for seasonal effects.

⁸ 30.8% of the value of total domestic export of the industrial goods headed to Germany last year in Q2, 80% then into the EU.

⁹ The output increased in approximately two thirds of the main industrial branches year-on-year in Q4 2021.

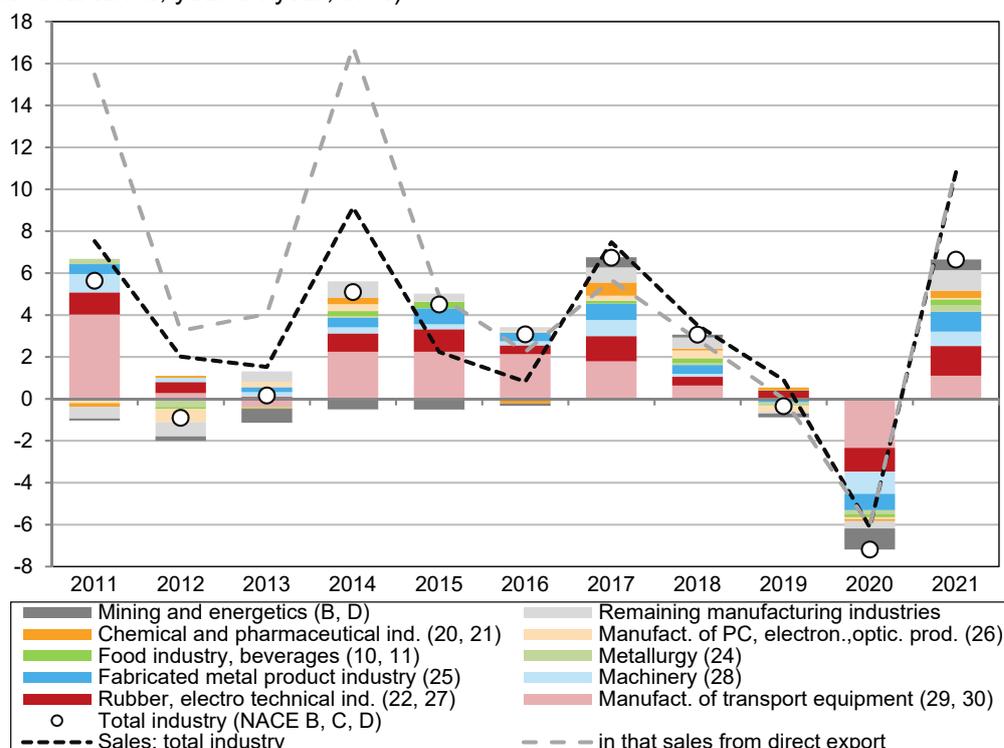
¹⁰ Difficulties with the involuntary shutdowns of production in the motor vehicle industry, which occurred last year both in Summer and Autumn, however started to be evident in these sub-branches in Q4 2021. The output fell by 4.4% in manufacturing of rubber and plastic products year-on-year in Q4, the decrease in the more diversified branch of manufacturing of electrical appliances was milder (1.3%).

industry driver – manufacture of motor vehicles¹¹ – recorded due to the variable production¹² only 3.9% production growth last year (after 12% slump in year 2020) and it lagged behind the pre-pandemic peak (from May 2019) by nearly one fifth at the end of the last year.

Manufacturing of paper, pharmaceutical, furniture products or rail transport equipment thrived further and their output exceeded the level from year 2019.

Some smaller manufacturing subbranches flourished last year and their production already exceeded the level from year 2019. The example is manufacturing of other (especially rail) transport equipment (+21.4% year-on-year, the most after year 2011), where the high volume of domestic orders negotiated in year 2020 was apparent. Both domestic and foreign demand assisted the manufacturers of furniture, whose output increased by more than one tenth last year and continued thus in the swift growth during the period of pre-pandemic business cycle peak. Pharmaceutical, paper and other manufacturing industry (including for instance manufacturing of medical instruments, sports equipment, games and toys) belong to the long-time growth branches, where the demand was expanding also during the pandemics. Manufacture of clothing, which was limited by the persisting weaker foreign demand, on the contrary still faced difficulties. Output of wood industry also decreased last year (by 5.5%), which was connected to the retreat of the bark beetle outbreak.

Chart 4 Contributions of sub-branches to the year-on-year change of the industrial production (in percentage points, in real terms) and sales in the whole industry (in nominal terms, year-on-year, in %)



Note: Both industrial output and sales are adjusted for calendar effects.

Source: CZSO

In both mining and energy industry the output mildly increased last year, however it was far from offsetting the

In mining and quarrying, the production expanded by even 4% year-on-year in 2021 after the record slump of the year before last¹³. While the still dominant activity of coal mining continued to decline for the tenth year in a row (the production decreased by 53% in total for this time period), output in mining of construction materials went up by 11.1% last year and it mildly

¹¹ This field concentrated approximately one sixth of total industrial production in the CR in the last years.

¹² This is also confirmed by data related to the physical production. According to the date of the Automotive Industry Association, there was manufactured locally 1.105 mil of personal vehicles in the CR last year, which was by 4% less year-on-year and less compared to record year 2018 even by 23%. Only 318 thousand manufactured motor vehicles - i.e. only 29% of last year's annual production - pertained to the five months of year 2021, affected by the involuntary shutdowns of production or prolonged vacation leaves (December and period from July till October).

¹³ The production slumped by one sixth for the whole year 2021, i.e. the most in the comparable time series since year 2000. It was connected to the long-term transformation of the energetic mix of the economy, also accelerated by the swift growth of prices of emission allowances.



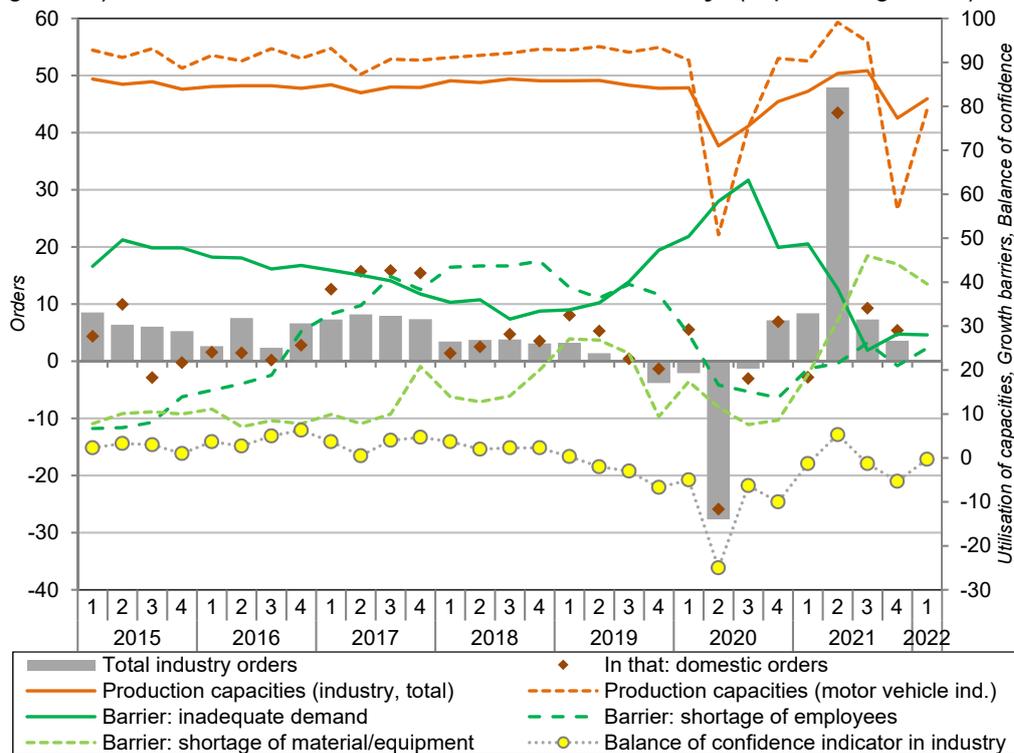
slump from year 2020 yet.

Strong growth of sales in coal mining, metallurgy, wood industry or manufacture of metal products was result exclusively of price growth in Q4.

exceeded the dive from year 2020. The same on the contrary did not succeed in the energy industry, even though its production increased by even 4% last year¹⁴. Restrictions of shops in trade and services at the beginning of year 2021 as well as the fluctuation of year-round development of manufacturing of motor vehicles prevented the return to pre-pandemic level.

The nominal sales of industrial businesses¹⁵ rose by 10.8% year-on-year in 2021. In Q4 itself, they grew only by 3.1%, i.e. considerably less than the production costs expressed via prices of industrial producers. Sales from direct export even ended slightly below the level from the end of year 2020, partially also for the reason that the weakening of the manufacturers of motor vehicles was more apparent here. Total sales grew the most in metallurgy (by 41.0%) in Q4, but similarly to the mining of coal (+26.3%), wood industry (+21.8%) as well as manufacturing of metal products (+13.1%) it was strictly the result of sharp price growth. It also considerably influenced the high rates of growth of sales in the chemical and paper industries. In contrast, the nearly 20% growth of sales for rail transport equipment as well as manufacturing of beverages accurately copied the growth of volume of production at the end of the last year. It was also valid in case of slump of sales of motor vehicle manufacturers, which reached nearly one fifth.

Chart 5 New orders in industry (in nominal terms, year-on-year change in %), **utilisation of production capacities in industry, selected growth barriers*** (in %, right axis) **and balance of confidence indicator in industry*** (in points, right axis)



* Both utilisation of production capacities and growth barriers express the situation in the first month of the given quarter, confidence balance relates to the second month of the quarter. Orders are adjusted for calendar effects; other indicators are seasonally adjusted. Businesses could have stated more main barriers simultaneously. Source: CZSO, Eurostat

¹⁴ According to the preliminary data of the Energy Regulatory Office of the CR, the total gross electricity production reached 84,9 TWh last year and increased by 4.2% year-on-year (it however dropped by 6.4% in year 2020). The gross domestic electricity consumption also slightly lagged behind the level from year 2019 last year, when it arrived at 73.7 TWh and increased by 3.2% year-on-year. Households (+8.1%) and wholesale customers within businesses (+4.4%) played a key role. By contrast retail consumers from the ranks of entrepreneurs consumed by 0.9% less year-on-year, by 3.4% for the two years. The total consumption of gas increased by 8.5% year-on-year in the CR last year, after taking into account the effect of the colder weather, the growth of the consumption was (after adjustment for thermal standard) only 3.5%. In year 2020, the recalculated consumption fell by 0.5% also due to the decrease of economic activity.

¹⁵ Year-on-year rates of growth of sales are adjusted for calendar effects.

<p>Growth of new orders in construction presented a positive signal indicating a possible increase of production volume in Q4.</p>	<p>Value of new industrial orders¹⁶ increased by 3.6% year-on-year in Q4 2021, the domestic demand was rising slightly faster compared to the foreign demand. The swift growth of orders in metallurgy (36.5%), chemical (46.0%) as well as manufacturing of paper products (18.0%) will be swallowed to a large extent by the growing production costs of businesses. The more modest 13.2% increase of orders in machinery, with in addition a large share of domestic businesses, is thus a bigger promise with respect to the future growth of the production volume. Deteriorated short-term outlooks are on the contrary connected to the manufacturing of motor vehicles, where the lower volume of contracted orders (by 9.8%, resp. by 2.1% compared to Q4 2019) reflects the persisting doubts regarding the increase of production capacities to the standard level. Utilisation of production capacities thus stayed below 80% in this branch also in January 2022 (while it reached 93% for the whole year 2019)¹⁷.</p>
<p>Entrepreneur confidence in industry weakened during Q2 and 3, a positive turnaround however occurred at the end of the year.</p>	<p>Entrepreneur confidence in industry was changing significantly during the year 2021. It continuously weakened after the June maximum (with the highest value in the last ten years) until October, when the pessimism was the deepest since last year's Spring. Subsequently a revival occurred due to the partial renewal of production in the motor vehicle industry and the total confidence in industry returned to the average level for year 2021 (and slightly higher than before the onset of pandemics). The expectations of the production activity in the next months improved. 27% of businesses in the whole industry anticipated its growth in January 15% then decrease. The outlook of the overall economic situation of businesses in industry for the upcoming six months remained similarly to the expectations in the area of employment mildly positive. Number of employees registered in industry lowered by 1.2% for the whole last year, however its year-on-year reduction halted in Q4 itself. The shortage of material and equipment remains the main barrier growth¹⁸ since the half of the last year, it limited 40% of domestic industrial businesses (51% in the EU) in January 2022. Approximately one quarter of businesses faced inadequate demand similarly to the shortage of labour.</p>
<p>Shortage of material and equipment troubled already 40% of businesses in January 2022.</p>	<p>Construction despite some growth supporting conditions (e.g. planned public investment into the transportation infrastructure¹⁹) revived slowly. Quarter-on-quarter rate of growth of the construction output²⁰ exceeded 2% in both Q1 and 2 of year 2021, however the output of the whole branch dropped by 1.0% in Q3. Civil engineering construction, impacted by slower drawing of public investment in the first two thirds of the year, primarily stood behind it. In Q4, a positive turn occurred in construction (+2.2%), caused mainly by the building construction benefiting from the favourable development of residential construction.</p>
<p>Quarter-on-quarter growth of the construction output halted in Q3, however it experienced a turnaround also thanks to the building construction towards the end of the year.</p>	<p>Also thanks to the development in the last months the construction output mildly grew for the whole last year, however exclusively due to the building construction, which strengthened by 3.5%. In contrast, the three years lasting growth of the civil engineering construction, supported by rising drawing on the European funds, halted last year (-0.2%). Building construction however continued in slump from year 2020 (-9.0%), which was the deepest in the comparable 20year time series.</p>
<p>Three years lasting growth of the civil engineering construction did not continue last year any more. Building construction was gradually regenerating.</p>	<p>Even though whole construction was not immediately hit by the counter pandemic restrictions in year 2021, the impacts of the measures from two years ago still had an effect (in administrative complexity of construction preparation or mobility of foreign workers). However, after the retreat of Spring pandemic wave, the conditions for construction</p>
<p>Number of commenced flats slightly exceeded the so far record construction from year 2007. Especially the</p>	<p>Even though whole construction was not immediately hit by the counter pandemic restrictions in year 2021, the impacts of the measures from two years ago still had an effect (in administrative complexity of construction preparation or mobility of foreign workers). However, after the retreat of Spring pandemic wave, the conditions for construction</p>

¹⁶ Survey of orders is ongoing only in 12 manufacturing branches producing mostly custom-made products, with longer production cycle and larger stocks of orders. Year-on-year growth rates of orders are adjusted for calendar effects.

¹⁷ Largest utilisation of capacities had among the bigger industrial branches the manufacturing of construction materials or rubber and plastic products (similarly 90%) and also the chemical industry (84%) at the beginning of year 2022. Among smaller branches it was then analogically e.g. manufacturing of furniture (92%), wood industry (93%) and manufacturing of paper products (89%) or pharmaceutical products (87%). On the contrary, the manufacturers of beverages displayed the least utilised production capacities (67%), where this value also considerably fell behind the long-term average.

¹⁸ Businesses could have stated more barriers simultaneously.

¹⁹ For instance the budget of the State Fund for Transport Infrastructure calculated (based on the first approved version of the state budget) with investment transfers from the state budget in record size of 80.4 CZK bn in year 2021.

²⁰ Data regarding the construction output are in constant prices, year-on-year rates of growth are adjusted for calendar effects, quarter-on-quarter then also for seasonal effect.

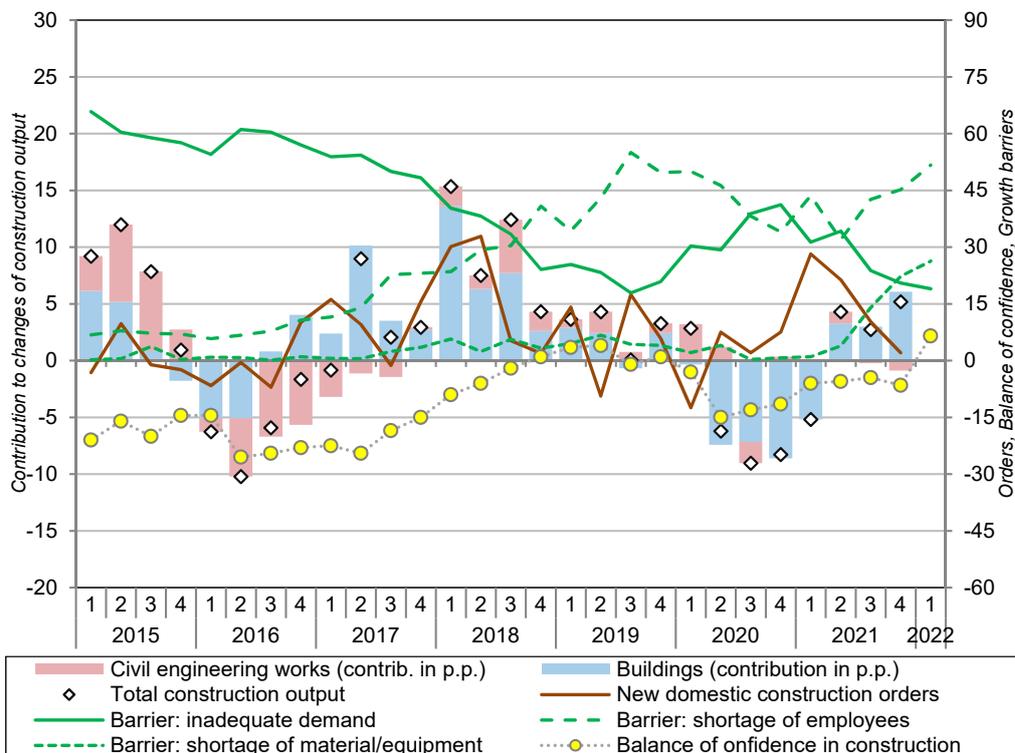


construction of flats in the residential buildings grew in Prague and Central Bohemia.

Number of completed flats stagnated year-on-year.

improved, which was for instance evident in the commenced residential construction. Mostly thanks to the unusually strong Q2, the number of commenced flats thus reached the record in the contemporary history of the CR of 45.0 thousand for the whole last year. The year-on-year strengthening of construction (by 28%) was also unprecedented, mainly thanks to the flats in the residential buildings. Even though the total construction expanded in 12 from 14 regions, Prague and Central Bohemia were behind the growth for the major part last year. Number of finished dwellings only stagnated in the CR last year (to 34.6 thousand) and it lagged by one sixth behind the year 2007. There were even the least flats in the family houses created for the last four years. Sharply raised prices of construction materials as well as work could have contributed to the large number of not completed constructions and thus also prolongation of the average time of construction.

Chart 6 Contributions of branches to year-on-year change of construction output (real, in p.p.), new construction orders (nominal, year-on-year in %, right axis), balance of confidence indicator in construction* (in p.p., right axis) and selected barriers to growth* (in %, right axis)



Note: Data related to construction output are adjusted for calendar effects.
 * Balance of confidence as well as barriers to growth are seasonally adjusted and express the state in the second month of the given quarter. Businesses could have state more main barriers simultaneously.

Source: CZSO, Eurostat

Growth of the value of new construction orders slowed down in Q4.

Entrepreneur confidence in construction did not change much last year, January and February 2022 brought a positive shift. Shortage of labour

Growth of the nominal value of newly contracted domestic construction orders (in businesses with more than 50 employees) after swift year-on-year pace in the first three quarters (in total by one fifth) slowed down in the remaining part of the last year (to 1.0%) and was thus overshadowed by the growth of construction works (7.9%) as well as prices of materials (17.0%)²¹. Total stock of work including all so far not yet realised orders was by 13.1% higher year-on-year in December 2021 (it grew similarly for both domestic public and private orders). The approximate value per one building permit exceeded the similar level from year 2020 by 30% in Q4, in two year comparison however it was higher "only" by 16%. The new construction of residential buildings contributed the most to the growth. Entrepreneur confidence in construction was slightly fluctuating throughout the

²¹ Already 55% of entrepreneurs in construction expected continuing growth of the sale prices in the next three months in February 2022. It was negligibly more than in the so far record year 2008.

<p>remains the key barrier to growth.</p>	<p>whole last year and remained slightly below the level from the period just before the onset of pandemics. At the beginning of year 2022, improvement was recorded thanks to the more favourable evaluation of the current demand as well as employment anticipations. Already only 19% of businesses indicated inadequate demand as a barrier to growth, in contrast record 26% of businesses faced shortage of material and equipment. Shortage of labour remains in practice the key barrier to growth in construction for more than three years - it already limited 52% of businesses this year in February.</p>
<p>Mainly activities tied to tourism contributed to the quarter-on-quarter growth of sales in services last year in Q2 and 3, transportation and warehousing then at the end of the year.</p>	<p>Considerable improvement of the epidemic situation during the last year's Spring together with the progressing vaccination of population enabled practically complete loosening of restrictions. Opposed to the Summer months of year 2020, procedures for the cross border movement of persons were also simplified. This led to the swift quarter-on-quarter growth of sales in selected services²², which represented 5.3% in Q2 2021 and 3.0% in the subsequent period. This revival was naturally driven by the activities tied to tourism, all main services branches however participated to a lesser extent. The recovery of services continued in Q4 (+2.2%), mainly thanks to the branch transportation and warehousing, whose sales overtook the peak from the pre-pandemic period for the first time. This has not been valid so far for services as a whole since their total output still lagged by 2.5% behind the level from Q2 2019.</p>
<p>Transportation and warehousing ensured more than one half of the year-on-year growth of sales in services last year.</p>	<p>The sales in branch transportation and warehousing increased by full 12.8% year-on-year for the whole last year and contributed by more than one half to the growth of all services performance (+7.5%). The strong demand in warehousing, where the sales overtook the level from year 2019 already by nearly one tenth, was a decisive factor. The fast advancement of the postal and courier services continued, they benefited from the growth of the sales via internet, which further surged during the pandemics. Sales from land and pipeline transportation did increase by 5.7% year-on-year last year, in reality they however were placed only near to the value from years 2015 and 2016. Lowered transport demands of population stemming from more frequent utilisation of home office as well as distance learning and also from the slower recovery of the arrival tourism²³ prevented the return to the standard level of mobility. This was fully mirrored in sales of accommodation, which mildly increased year-on-year (by 2.3%), however they were by 55% weaker compared to year 2019. The two-year slump in food service and restaurants amounted to "only" 30% thanks to the faster revival of consumption of domestic households.</p>
<p>Sales in accommodation, food service and restaurants still deeply lagged behind year 2019.</p>	<p>Year-on-year growth of sales in information and communication (ICT) markedly accelerated last year (to 5.8%). Sales were hiked up here for the eighth year in a row. All subbranches contributed to the last year's growth, activities in the area of information technologies (for instance programming) the most. Motion picture and music industry were fast recovering²⁴, however the slump of sales from year 2020 (by 39%) was not fully compensated yet. Sales</p>
<p>Growth of sales in information and communication continued for the eighth year in a row.</p>	<p>Year-on-year growth of sales in information and communication (ICT) markedly accelerated last year (to 5.8%). Sales were hiked up here for the eighth year in a row. All subbranches contributed to the last year's growth, activities in the area of information technologies (for instance programming) the most. Motion picture and music industry were fast recovering²⁴, however the slump of sales from year 2020 (by 39%) was not fully compensated yet. Sales</p>

²² Without trade, financial industry, insurance industry, science, research and public services. All figures for services are in constant prices, year-on-year data are adjusted for calendar effects, quarter-on-quarter data are seasonally adjusted (including the effect of number of working days).

²³ 11.4 mil of visitors arrived at the mass accommodation facilities in the CR in year 2021. The number of their overnight stays slightly increased year-on-year (+1.8%), for guests from abroad however it fell by 11.4% and reached only one quarter of the size from year 2019. One half of all overnight stays of non-residents pertained to guests from neighbouring countries with the CR last year. Due to the worsened epidemic situation as well as administrative obstacles in travelling, the extremely low portion of overnight stays from Russia persisted (3% of the number from year 2019), Great Britain (12%), distant Asian countries, especially China (2%) and Taiwan (1%), South Korea (3%) and Japan (6%), or for instance from the USA (16%). Among the more significant source countries, the numbers of overnight stays dropped the least for Slovakia (by 50%), for clients from the CR the two-year decrease was only 15%.

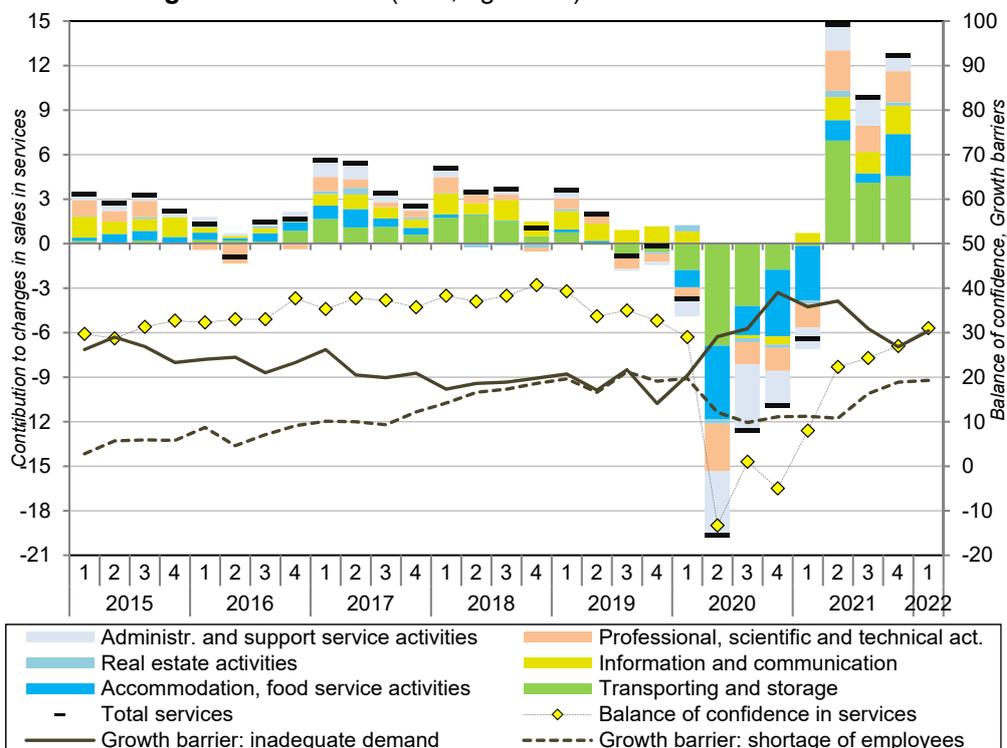
²⁴ Data from the segment of motion picture distribution also prove it. The operations of cinemas were gradually renewed at the turn of May and June last year. As of July, when the possibility of refreshment was also allowed in the cinema theatre, the number of visitors started to return to the pre pandemic level. Already 3.5 mil of visitors arrived at the cinemas in the CR in Q3, by one half more year-on-year and compared to the same period in year 2019 by 17% less. Reintroduction of partial restrictions at the end of November (admission only to vaccinated and persons who went through the disease covid-19) inhibited the return to normal. The attendance climbed up to 7.14 mil persons for the whole last year, which was by 12% more year-on-year, but compared to the record year 2019, it represented a decrease of 61%.



Some specialised services for businesses faced decline of demand in years 2020 and 2021.

in branch professional, scientific and technical activities, dependent to a large extent on the business demand, increased by 5.4% year-on-year last year. The architectural and engineering services played the largest role. Demand for activities for head office (including management consultancy activities) was strengthening, similarly to legal and accounting activities already overcoming the level of sales from the period shortly before the pandemic period. On the contrary, some specialised services (for example translation, photographic, design activities) faced a decrease of demand in both pandemic years. Last year's growth of services in the administrative and support services activities (by 7.5%) was for a major part influenced by the revival of demand in the area of travel agencies, where however the sales still hasn't reached even 40% of level from year 2019. Other subbranches haven't overcome the slump from year 2020 yet – especially then employment placement agencies, which featured apparent weaker demand during the last year.

Chart 7 Contributions of branches to year-on-year change of sales in services* (in p.p., real), balance of confidence indicator in selected services (in p.p., right axis) and selected growth barriers** (in %, right axis)**



* Without branches trade, financial activities, insurance activities, science, research and public services. Sales are adjusted for calendar effect.

**Also includes the financial sector. Balance of confidence as well as the barriers to growth are seasonally adjusted and express the state in the first (growth barriers), resp. second month of the given quarter (balance of confidence). Businesses could have stated more main barriers simultaneously.

Source: CZSO, Eurostat

Last year's retail performance was marked by restrictions in Q1. Month-on-month decrease of sales was also recorded at the end of the last year.

Last year's retail sales²⁵ were considerably affected by restrictions in Q1, which culminated by a substantial limitation of population mobility in March. Sales reacted to the Spring easing of restrictions by strong May growth (by 9.0% year-on-year, in that by 13.9% in the segment of non-food goods). Simultaneously the value of the consumer confidence considerably strengthened but did not reach the height from the period shortly before the onset of the pandemic even during the Summer²⁶. Even though the worsening of the epidemic situation

²⁵ All year-on-year rates of growth of retail sales are stated in constant prices and adjusted for calendar effects, quarter-on-quarter or month-on-month growth rates are adjusted for seasonal effects (including the number of working days). Retail includes branches CZ-NACE 47.

²⁶ Growing consumer confidence was linked to the low unemployment also for the most part of the year continuing real growth of wages (supported by the payment of extraordinary bonuses in parts of the public sector as well as lower taxation on income). Unparalleled high worries of people regarding the growth of prices could have worked against faster realisation of delayed consumption at the end of the year, which were also grounded in the real economy.

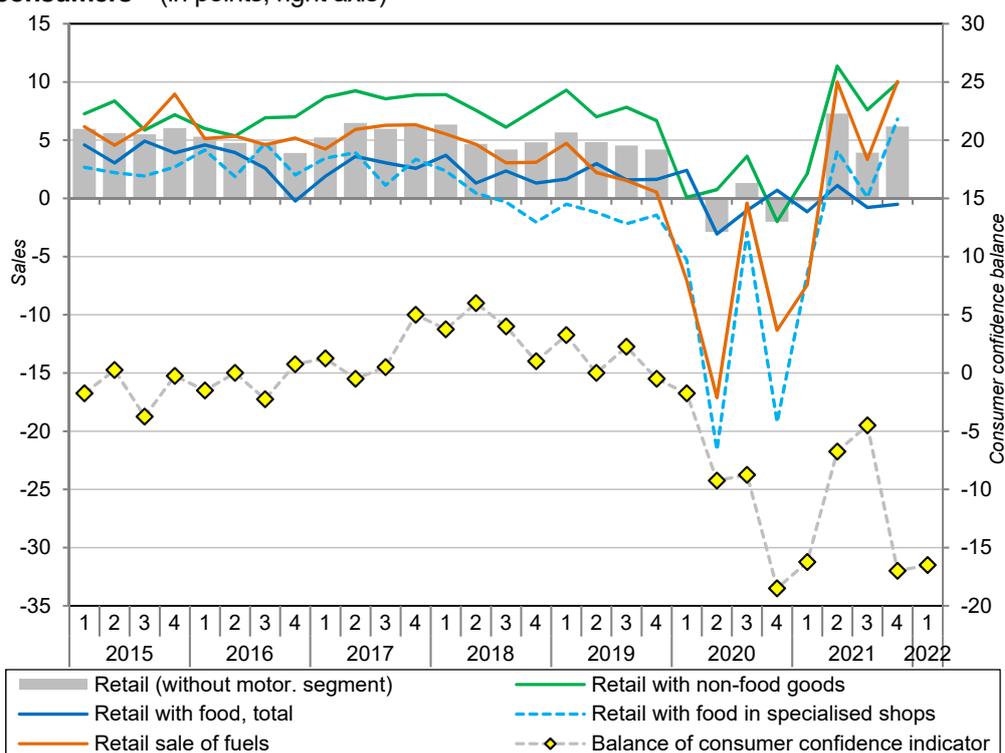
was not connected to the restriction on the purchase options in the last third of the year any more, retail sales fell both in November and December (in total by 3.4% for both months). They increased by 4.4%²⁷ for the whole last year and after small decrease in year 2020 (by 0.9%) they neared the pace from the period just before the onset of the pandemics.

Sales for non-food goods were significantly driven by the sales via internet.

Last year's growth of the whole retail was driven the most by higher sales for non-food goods (8.0% year-on-year), which could have been the result of postponed consumption as well as the popularity of purchases via internet, which apparently became the dominant purchasing channel for a part of the consumers during the pandemic. Within the specialised shops, apart from the sales via internet the sales in shops with computer and communication equipment (6.8%) and in shops with cosmetic and toilet requisites (5.8%) grew the most. Demand for shops with clothing, footwear and leather goods and also for products for culture and recreation grew slower – the sales nevertheless still in both cases notably lagged behind the year 2019. Sales for food shrank last year for the second year in a row (equally by 0.3%), they fell in non-specialised shops, where the large business chains dominate, for the first time after seven years of growth. Sellers of fuels earned by 4.0% more year-on-year, however they were far from offsetting the slump from year 2020²⁸. The motorist segment was in similar situation, their sales lagged by 8% behind the level of year 2019 despite the last year's revival. It was valid for this whole segment apart from trade, repairs and motorcycles maintenance (with long time growing demand, largely not disrupted during the pandemics).

Sales for food fell for the second year in a row. Large chains apparently also participated on this result in 2021.

Chart 8 Retail sales* (real, year-on-year in %) and balance of confidence indicator of consumers (in points, right axis)**



* Sales are adjusted for calendar effects.

** Consumer confidence balance is seasonally adjusted and expresses the position in the second month of the given quarter.

Source::CZSO

²⁷ Similarly to year 2020 thus also recorded slightly weaker pace compared to both the EU and euro area. The retail sales rose by 5.5% in the EU and 5.0% in the euro area last year. The sales strengthened the most in Slovenia (+18.9%), Lithuania (+12.9%) and Bulgaria (+12.2%), among larger economies then in France (+9.7%), Poland (+9.3%) and Italy (+8.2%). The sales grew less in Slovakia (+1.3%) and also Germany (+0.9%), where they however showed unusually strong growth in year 2020 (+4.4%) – the highest in the whole Union. Sales for food decreased apart from the CR only in other five Union countries last year (for instance in both Poland and Germany). On the contrary the domestic growth of sales for non-food goods moved closed to the level of the EU (8.3%).

²⁸ Rising consumer prices of fuels could have also worked against the growth of consumption at the end of the last year. For example Natural 95 was sold on average for approximately 37 CZK per litre at petrol stations in November, which was the highest value since October 2012.

