

Performance of basic sectors

- **Insignificant growth of industrial production due to drop in Q4**

The economic performance of industry measured by the industrial production index increased in 2008, y-o-y, by only 0.4%. Relatively positive results in three quarters were eliminated by a marked drop of production in Q4 by 13.2%. Compared to the growth rate in 2007 the dynamics in 2008 decreased significantly by 8.6 p.p. The growth rate decrease shows also the q-o-q change of trend in seasonally adjusted data reaching in individual quarters the following values: 0.8%, 0.2%, 0.4% and -14.1%, while in the previous year the growth rate ranged from 1.3% to 2.6%.

Despite a drop, the manufacture of transport machinery and equipment maintained its dominant position in industry. Good results were still reported for manufacture of electrical and optical equipment (growth by 9.8%) contributing by 1.5 p.p. to the total growth of industrial production. The growth was most contributed to by manufacture of coke, refined petroleum products (+ 0.4 p. p.) and manufacture of machinery and equipment (+ 0.2 p. p.). By contrast, the strongest negative impact came from food and drinks production and tobacco products (– 0.5 p. b.).
- **Sales in industry stagnated**

Sales from industrial activity at constant prices increased in 2008 by insignificant 0.1%, working days adjusted they were 0.1% down compared to 2007. Development of individual sectors was similar as in industrial production. Sales from direct exports increased by 2.2% at constant prices and their contribution to the total sales in industry at current prices made 47.4%.
- **Decreased number of especially non-domestic new orders**

New orders in selected divisions dropped by almost 6% while two thirds of the drop came from manufacture of motor vehicles. Faster decrease was reported from non-domestic new orders. Decisive was the drop of orders in Q4 when orders in total decreased by more than one fourth and non-domestic orders by 27.9%.
- **Slowdown of construction output**

Construction output in 2008 increased at constant prices y-o-y by 0.6% when the growth of civil engineering by 11.8% compensated the drop in building construction by 6.6%. While the construction output in Q1 and Q3 increased, y-o-y, in Q2 and Q4 it was lower than a year ago. Construction output in enterprises with 20+ employees (approximately three quarters of the total volume) increased by only 0.1%, in real terms.

The basic construction output (ZSV) was higher, y-o-y, by 2.5%, of which in Q4 it dropped by 2.9%.
- **Volume of construction orders increased**

In 2008 the number of new orders dropped by 11.4%, y-o-y, for construction work, however, the orders amounted to a record value of CZK 309.4 billion (growth by 17.4%). Most of these orders were for engineering construction. The value of construction orders signed by the end of 2008 (CZK 213.4 billion) secures the work for construction enterprises for approximately 7 months ahead.
- **Higher value of permitted constructions**

The number of issued construction permits increased by 4.1%, approximate value of permitted constructions increased by 9.3% to CZK 390.8 billion, in Q4 it was lower by 12.0%, y-o-y.
- **Lower number of started and completed dwellings**

Construction of 43 531 dwellings was started i.e. by 0.6% less, y-o-y, when in Q4 the number of started dwellings dropped by almost one fifth. Completed were 28 383 dwellings, i.e. by 7.8% less than a year ago. The whole downturn was caused by the y-o-y decrease in Q4 by 30.4% when in Q4 2007 the number of completed dwellings reached its record high due to the envisaged change of VAT. By the year end 176 120 dwellings were under construction, i.e. by 3.0% more than by the end of 2007.
- **Growth rate of retail trade sales decelerated**

Seasonally not adjusted sales in the retail trade except of automotive segment increased, y-o-y, at constant prices by only 0.9%, in automotive segment they dropped by 0.2%. Sales in hotels dropped by 5.3% and in restaurants by 1.7%. Sales in market services rose by 1.0%, in communications by 2.1% while in transport they were 1.3% down.