

Instant Comment Slovakia

Industrial and construction production marked a good year in 2018

Industrial Production (y/y)

Actual, Dec:	3.1	Previous:	3.3	Erste:	3.7	Consensus:	3.7
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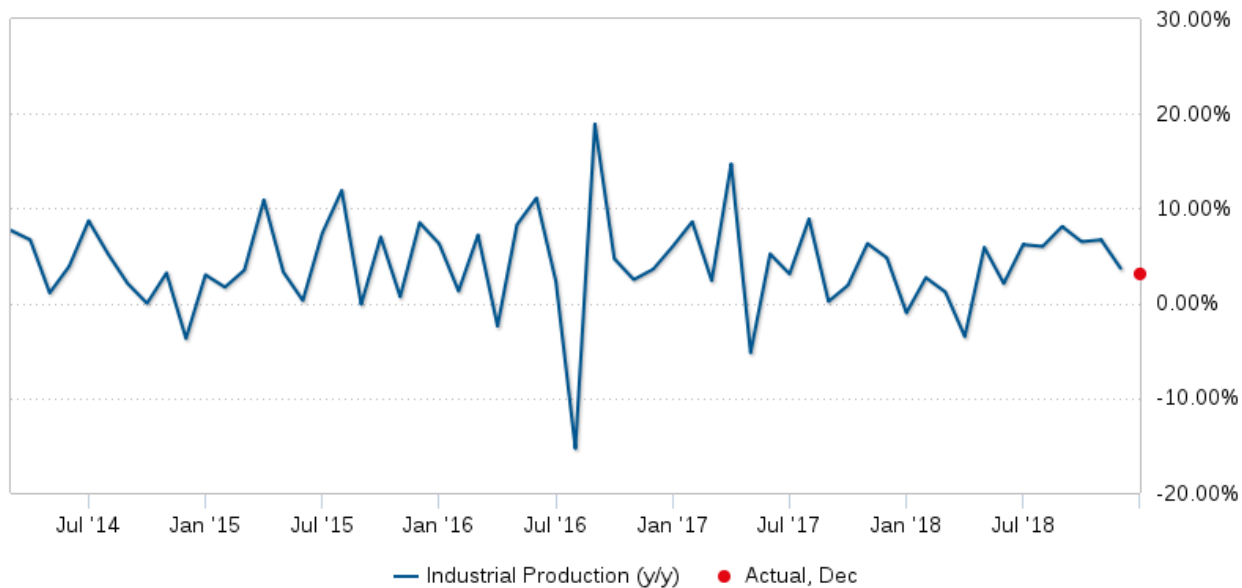
Industrial production rose by 3.1% y/y in December, slightly below our expectations. On a seasonally-adjusted monthly basis, IP fell by 0.9%. The overwhelming driver of growth was car production (+26.4% y/y). The largest drag on IP growth was due to manufacture of metals (-10.5% y/y). Overall, industrial production growth averaged 4.5% last year (compared to 4.1% in 2017), with car production accounting for close to 4.9pp of the growth (some sectors contributed negatively to the overall IP growth, most notably electricity, gas, steam and air conditioning supply).

Production in construction remained brisk in December, as it increased by 7.9% y/y (-1.4% m/m). The average growth construction production thus reached 8.4% in 2018 (above the 2% in 2017).

Looking Forward: Last month's revision of the methodology in car manufacturing (car production is now calculated based on the nominal value of the vehicles produced and not on the piece count) significantly affected the IP growth rates. We welcome the new methodology as it better reflects true industrial activity in the sector – Slovak car plants have substantially moved their production towards luxury models, thus the nominal EUR value of their output is much higher. Construction marked a very good year in 2018.

We expect economic growth to average 3.4% this year, driven predominantly by domestic demand. The external environment is likely to remain cloudy (Germany, Euro Area and China slowing down, uncertainty stemming from Brexit and possible implication of these issues for the local car sector). The slowdown in GDP growth is thus entirely attributable to external demand changes and should prove to be temporary. We stick to our 2020 growth forecast of 3.6%.

Zoom 6M 12M 5Y 10Y



Source: Stat. Office Of The Slovak Republic

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